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SPECIAL ISSUE

ON

TOWN PLANNING LEGISLATIONS AND THEIR IMPLEMENTATION

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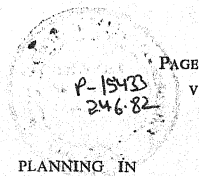
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MAYOR-IN-COUNCIL

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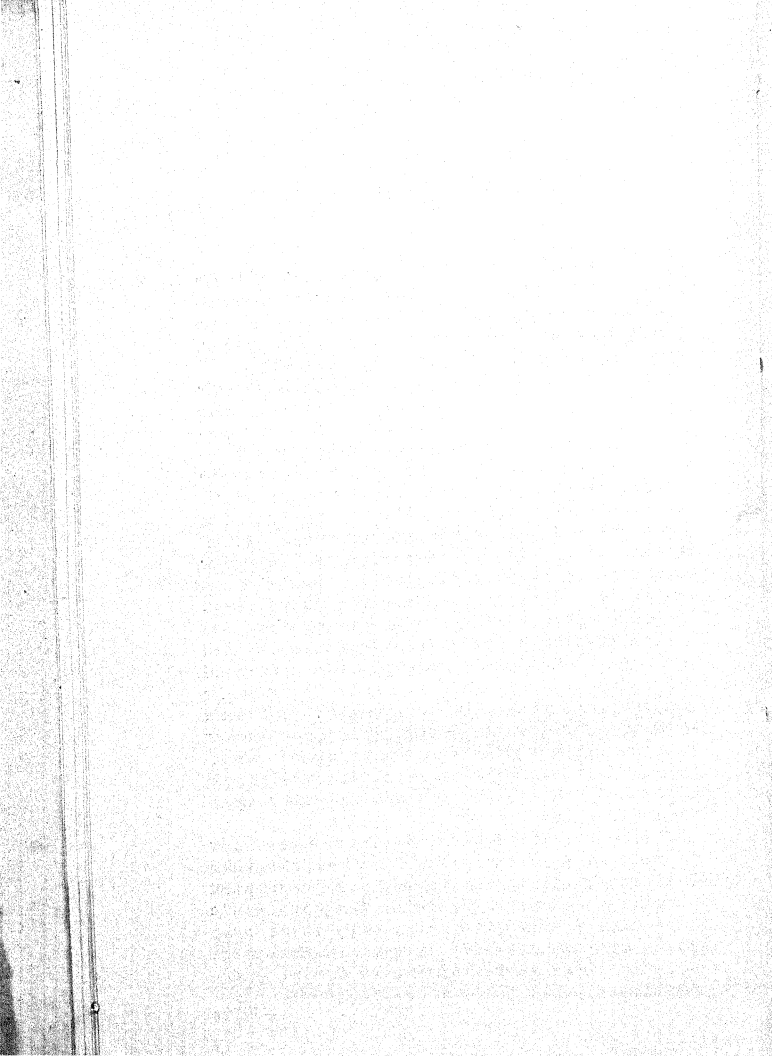
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Editorial

Town planning legislations have been in existence in our country since the beginning of the present century and subsequently a number of new legislations were added on by the states to the existing statute book as and when the need was felt. However, many of these legislations are found to be inadequately or unrealistically drawn and deficient in various ways in effectively dealing with haphazard urban growth and in promoting planned development. The Institute had, therefore, undertaken a comprehensive study of the existing planning legislations with the object of evaluating their effectiveness in facilitating the process of urban planning and implementation and for making suitable suggestions for formulating a sound legal structure for the town planning and development programmes in the country. A preliminary report on the study was prepared and presented in a seminar attended by a select group of urban planners, administrators and legal experts for discussing the various issues raised in the report. These issues include: What should be the goals and objectives to be envisaged in the legislation? Under the law, should the local bodies be entrusted with the preparation/implementation of master plans/development plans or should there be provision for the constitution of separate planning authorities? What should be the provisions under the law regarding the powers, functions and resources of the organisation in plan formulation, enforcement and implementation? What modifications should be made in the law of land acquisition for facilitating speedier acquisition at lesser cost?

This special issue contains the papers that were presented by the experts at the seminar on some of these issues along with a list of legislations dealing with the town planning/development authorities in the country. We hope that these papers would be useful to the policy makers in securing necessary reforms in the planning legislations and facilitate the task of administrators and town planners in the effective implementation of urban development plans.

—Editor



Legislative Framework for Urban Planning in India

M.K. BALACHANDRAN

PLANNED INTERVENTION has become imperative in our urban areas in view of the rapid pace of urbanisation and haphazard urban growth resulting in congestion, slums, squatting and misuse of land. Urban planning is a continuous process involving plan formulation, plan approval and plan implementation. As such, the success of the plan would depend not only on how the plan is formulated but also the 'why' of it and how effectively it is implemented. This requires a suitable legal structure and support for formulation and implementation. Master Plans prepared in respect of a large number of cities and towns could not, however, be effectively implemented in the absence of appropriate legal tools, administrative machinery, technical know-how and financial resources for their enforcement and implementation.¹

THE NEED FOR A LEGAL BASE

In most of the states in India there exists a number of legislations dealing with one or the other aspect of town planning, but many of them are unrealistically designed and are found to be deficient in effectively dealing with haphazard urban growth. Speaking about the planning legislations in developing countries in general, Prof. Antole A. Solow observed: "In many countries, there are more than enough laws on the books, but in most cases the laws are inadequately or unrealistically drawn and are not implementable or even where they could be implemented, they are simply ignored."² About the Indian conditions, the West Bengal Commission for Legislation on Town and Country Planning, in its report published in 1962, made the following observations on the planning legislations that were in existence at that time in some of the states: "Not all the Acts have been very happily worded.

¹IIPA, *City Development Plans and their Implementation*, New Delhi, 1977, p. 1.

²Antole A. Solow, "Tools and Techniques for Implementation of Urban Planning", *Urbanisation in Developing Countries* (Report of a Symposium held in December, 1967 at Noodwijk, Netherlands), IULA, The Hague, 1968.

The language is vague or verbose, sometimes repetitive, sometimes self-contradictory."³ These observations hold good even now as most of these legislations are still operating in our country and some of the new legislations are modelled on the old ones. Legislations have also misfired in actual working and have developed operational dysfunctionalities, manifesting themselves in various forms, such as operational delays, litigations, non-enforcement and non-implementation.⁴ In a democratic society with a written Constitution conferring certain fundamental rights on the citizens,⁵ planning for the urban areas needs to be pursued within the parameters of appropriate legislative framework in order to avoid arbitrariness, accommodate diverse interests and regulate the process of plan preparation and implementation.⁶ The importance of law in planning has been amply highlighted by the Supreme Court of India in one of its judgements where it observed: "Beneficial schemes under welfare legislations have to be executed in accordance with the law which creates the scheme. The end does not always justify the means and it is no answer that the object of the scheme is such that it justifies the implementer of the law to be absolutely oblivious of the manner of enforcement, even though the manner is an integral part of the scheme imposing under the law restrictions on the rights of the individuals."⁷ Mr. Justice Krishna Iyer of the Supreme Court was expressing the same view, when he wrote: "The planner must realise that every economic project he has in mind involves interference with private rights, and so, must be justified by law. Every taxation measure that he contemplates must be in accordance with the procedure prescribed by law. Every organisation that he sets up, such as a public corporation, cooperative society, charitable society, commission or board, has to be structured by the law so that its internal regulations and external relations may have its validity. Every policy decision for nationalisation or state monopoly, prohibition of, control over, or diffusion of private ownership needs the authority of legislation subject to the Constitution."⁸ There should, therefore, be legislation which sanctions and sustains the actions of the planners and

³Report of the Commission on Legislation on Town and Country Planning, Government of West Bengal, December, 1962, p. 94.

⁴N.K. Gandhi, *Study of Town and Country Planning in India*, Indian Town and Country Planning Association, Bombay, 1973.

⁵Part III of the Constitution especially Arts. 14, 19 and 31.

⁶"In a democratic country it is vital that all affected persons be heard, that all points of view be aired and all competing interests be considered. How to accomplish this and still get decisions made is the great dilemma of planning and allocation." Charles Reich, "Towards Humanistic Study of Law", *Yale Law Journal*, 74, 1402, 1965.

⁷*F.A. Abdul Samad v. Municipal Corporation of the City of Ahmedabad*, AIR 1976, SC 2095, p. 2101.

⁸V.R. Krishna Iyer, *Social Mission of Law*, New Delhi, Orient Longman, 1975, p. 52.

administrators in the formulation and implementation of the plans and such legislation has to be carefully planned so that it should succeed in the courts of law and fulfil its purpose in the field. In other words, the planning legislations should be so planned that they should be capable of effectively carrying forward the schemes and policies of planning. A need is, therefore, felt for a comprehensive review of the existing planning legislations, to identify the adequacies as well as the inadequacies in their provisions, including their operational dysfunctionalities and thus to help formulate a sound legal structure for urban planning and development in the country.

THE EXISTING FRAMEWORK

Town planning legislations have been in existence in our country since the beginning of the century. However, under the Constitution "Town and Country Planning" does not find a specific mention in any of the entries mentioned in the three lists in the Seventh Schedule to the Constitution. The question, therefore, came up before the Supreme Court in *Maneklal Chhotulal v. M.G. Mukwana*⁹ whether the state legislature was competent to make a town planning law (the Bombay Town Planning Act, 1954, in the present case) as the subject-matter was not covered by any of the entries in the state list and the concurrent list. The Court, applying the principle of pith and substance in determining the competence of the legislature in enacting the legislation, held: "Having regard to the scheme of the Act as well as the provisions contained in it, in our opinion, the competence of the state legislature to enact the same can be rested either on Entry 18 of List II (land) or on Entry 20 of List III (Economic and Social Planning) of the Seventh Schedule..... The legislation is in regard to land which forms the subject-matter of Entry 18 of List II".

The Court pointed out that the various questions dealt with in the Town Planning Act (Bombay) could be considered to deal with land and accordingly the competency of the state legislature to enact the measure in question could be found in Entry 18 of List II. The court further observed by way of obiter: "We are further satisfied that the competency of the state legislature can also be rested under Entry 20 of List III which is Economic and Social Planning." This *obiter dicta* can be interpreted to mean that under the Constitution, the parliament has also the power to enact a legislation on town planning, as the subject (Economic and Social Planning) comes under the concurrent list also. Thus, the law is well settled that the state legislatures in India are competent to enact town planning legislations.

Among the legislations relating to town planning and development,

the first few to make their appearance in the beginning of the present century were the Municipal Acts, Improvement Trust Acts, and Town Planning Acts (in some states). Later on, similar legislations were enacted by other states followed by a variety of other legislations (including those for the creation of special purpose bodies like housing boards, slum clearance boards, water supply and sewerage board, etc.) such as Development Authority Acts, Slum Clearance and Improvement Acts, Housing Board Acts, Peripheral/Ribbon Development Control Acts, Water Supply and Sewerage Board Acts, Water Pollution Acts, Urban Land Ceiling Acts, Urban Art Commission Acts, etc. with a view to meet the specific requirement of a particular situation or particular problem. These legislations vary in scope and concept and seek in various ways to regulate and guide urban growth.

Town Planning legislations were first introduced in this country during British rule and as such were mainly based on the British pattern prevalent at that time.¹⁰ After independence, many of these legislations were either revised or new legislations were enacted but still were, broadly speaking, nothing more than an elaboration of the old British Law. These legislations did not take into account the peculiar growth pattern or urban development and compulsions of our country which is entirely different from the western parts of the world. Many of these legislations are outmoded and are unrealistically designed and as such do not act as an adequate instrument for solving the complex problems of the modern pattern of urbanisation.

DEFECTS AND DEFICIENCIES IN THE LAW

Multiplicity of Legislations

A study of the legislations that are currently in force in the various states in the country reveals the fact that there is more than enough laws in operation in most of the states to deal with one or the other aspects of town planning/development activities, each legislation having been enacted to meet the specific requirement of a particular situation or problem without taking into consideration its impact on the working of the various authorities functioning under other legislations already existing in the area. In a number of states there is no uniform planning/development law applicable throughout the state (A.P., Kerala, Karnataka). Kerala has three outmoded town planning legislations still in force in different parts of the state. Karnataka which had redrafted its

¹⁰In his article on "Planning Legislations in Developing Countries" (Summer School Report, 1975) Prof. Otto H. Koenigsberger has observed that most law givers and legal draftsmen try to play safe by copying legal codes that are reputed to have worked well elsewhere.....The most famous example of this legislative eclecticism is the copying of British planning codes in Commonwealth and other English speaking countries.

town planning legislation in the light of the Model Law prepared by the Town and Country Planning Organisation, again enacted an Improvement Boards Act in 1976 as it was found that the planning authorities constituted under the earlier Act were not adequate for plan implementation. However, the 1976 Act is in no way better than the Town Planning Act and has all the drawbacks of any other Improvement Trust Act. This state has the distinction of having an Improvement Trust Act (1903), a Town & Country Planning Act (1961), an Improvement Board Act (1976) and a Development Authority Act (1976), all operating simultaneously in different parts of the state, alongwith a host of other legislations. Some of the states have an array of legislations to deal with one or the other aspects of town planning/development activity, but have no comprehensive planning/development law (Punjab and Haryana), while a few others are still content with the Improvement Trust Acts (Orissa and Rajasthan).

Multiplicity of Organisations

A concomitant result of the multiplicity of legislations is the multiplicity of authorities/organisations in the same area dealing with different aspects of planning, sometimes having overlapping functions and jurisdictions. New authorities/organisations have been set up on an ad hoc basis without giving any serious thought about their repercussions on the already existing ones, creating problems of conflicts and coordination. This multiplicity of authorities coupled with the elaborate procedure for each of these organisations and the lack of proper linkage among them, often creates problems in the planning process both at the formulation and implementation stages.

Problem of Coordination

The fragmentation of related functions and responsibilities among a number of organisations without proper coordination among them, often results in overlappings of jurisdictions and functions and consequent wastage of resources resulting in haphazard development and even stagnation in certain cases. Most of the existing legislations do not provide for coordination of activities of different organisations working in the same area. The remaining few which mention about coordination do not provide for the necessary powers and resources for bringing about such coordination by the concerned authorities. The BMRDA, BDA and the CMDA, under the governing statutes have powers to give directions regarding the implementation of development projects only to those agencies to which payment of money has been made from the authority's fund. The absence of any effective statutory provision has resulted not only in lack of coordination but also conflicts and frictions among various agencies. The best illustration is given by Delhi where

the development activities of DDA were adversely affected because of the absence of timely coordination between DDA and the various service departments of the MCD. There has also been difference of opinion and conflicts between DDA and the Delhi Urban Arts Commission.

Organisational Inadequacies

Yet another deficiency that has been noticed in a number of legislations is that the powers, responsibilities and resources are not properly matched in the organisations that are set up under them for plan preparation and implementation. Except in the case of metropolitan development authorities and a few big urban development authorities, the authorities who are responsible for the preparation, enforcement and implementation of the plans, are not provided with sufficient finances or powers to carry out such activities. One of the important sources of finance for the authorities under different legislations is betterment levy or development charges. In a number of cases the betterment tax is not levied because of court decisions against such levy or due to administrative difficulties. In the case of local authority contribution which is yet another source of revenue provided for under certain legislations, since the financial position of most of the local authorities is not sound, the contribution is nil or negligible. Again, most of the legislations do not confer adequate powers on the concerned authority to deal with haphazard or unauthorised developments. Some of them do not even provide for the stoppage or demolition of unauthorised developments and constructions, by the authorities. The vesting of powers of enforcement in the Director of Town Planning who is a state-level authority and leaving the development authorities only with the responsibility of implementation of the plans (M.P.) is a glaring example of a case where the responsibilities do not match with powers.

Plan Preparation and Implementation—Deficiencies and Difficulties

The dilatory and time-consuming procedure provided for the preparation of plans under some of the legislations and the absence in most of them, of any provision prescribing time-limits for different stages of preparation and approval of plans, results in considerable delay, defeating the very purpose of planning. There is no provision for review and revision of the plans in most of the enactments.

The success of plan implementation is dependent not only on the financial resources and powers of implementation but also on the powers of enforcement and co-ordination. The powers of land acquisition also play an important role as lands are required for the implementation of the plans. The legislative provisions in this regard are far from satisfactory, as in many cases they are found to be inadequate.

Land Acquisition Provisions—Not Adequate

The acquisition of lands for development purposes presents a serious problem in the implementation of the plans. The majority of the planning legislations are still dependent on the Central Land Acquisition Act of 1894 for acquisition purposes. This Act was enacted at a time when large scale acquisition of lands for various development projects was not visualised by the legislature. The concept of time was also different when it was enacted. It is no surprise, therefore, that the procedure thereunder is tardy and time-consuming, and the compensation required to be paid is the "just equivalent of what the owner has been deprived of". The modified provisions of some of the planning legislations for facilitating speedier acquisition at lesser costs did not prove successful, as some of these provisions were struck down by the Court on the ground of 'unjust discrimination' as they provided for the payment of lesser compensation than that is provided for under the Central Act. The recent change in the constitutional provision making the right to property a legal right may not change the position as Article 14 can still be invoked for challenging 'unjust discriminations'.

Law Not Effective in Checking Haphazard Growth

The date with reference to which the restriction on development and use of land will be effective is different in different legislations. Except in those cases where the restriction on development can be imposed from the date of commencement of the Act or from the date of declaration of intention to prepare the plan, the control will not be effective as in all other cases, a lot of haphazard development would take place by the time the authority can impose the restrictions. To illustrate, under the Tamil Nadu Act (1971) the restriction starts from the date of coming into operation of the plan. In this case, inbetween the date of declaration of intention to prepare the plan and the date of coming into operation of the plan there is no power vested with the authority to prevent haphazard development, as the authority's permission for development is required only from the latter date. Very often there is preemption, when it is known that a particular area is likely to be developed. Structures come up overnight and claim compensation. This deficiency in the legislative provision will, thus, help in haphazard developments, thereby, making the implementation of the plans difficult is not impossible.

Law Does Not Provide for Peripheral Ribbon Development Control

Urban development does not confine itself within the municipal limits but usually spills over to peripheral areas also. Many of the existing legislations do not provide for the control of the peripheral growth or ribbon development even though some states have separate legislations which provide for negative control at the periphery without any regular

machinery for positive development. The legislations, in fact, have not taken into account the rural-urban continuum or the hinterland, the metropolis and the shadow areas. Further, while they provide for the development of new areas, the core city with the old built-up area and congestion is generally neglected with the result that the congestion is perpetuated and the city gets further disintegrated.

Public Participation—Not Adequate

Planning and development can be successful only when the public consent and participation are assured and built into the machinery designed to carry out these functions. The existing provisions in the legislations for calling for objections and suggestions from the public may meet the principles of natural justice but do not satisfy the requirement of public participation and response to the planning process in the real sense of the term.

SUGGESTED REFORMS

There is multiplicity of legislations in almost all the states/union territories, and as pointed out earlier some of them are old and outmoded. It is absolutely essential that the states should attempt a consolidation of the innumerable legislations dealing with one or the other aspect of town planning/development activities within their respective jurisdictions. Consolidation is not codification; it is a process whereby the provisions of many statutes dealing with one branch of the law are reduced into the compass of one statutory enactment of law. In this regard the lead taken by the state of Maharashtra in unifying and consolidating the laws relating to housing, repairing and reconstructing dangerous buildings and carrying out improvement works in slum areas (the Maharashtra Housing and Area Development Act, 1976) can be taken as a guiding example by other states.

While it has to be conceded that multiplicity of organisations to some extent cannot be avoided as different types of agencies are required for carrying out certain specialised functions, amalgamation of some of the existing agencies having overlapping functions and jurisdictions is certainly possible and should be resorted to in order to avoid conflicts and confrontation which will adversely affect the town planning and development activities. Again, the Maharashtra Housing and Area Development Act, 1976 is a bold attempt in this regard. Wherever such amalgamation is not possible, the law should incorporate effective provisions for bringing about purposeful co-ordination among the various planning/development agencies operating in the area.

The statutes in many states provide for the preparation of plans by municipal authorities, but in actual practice the plans have been prepared by the town planning departments of the state governments except

in the case of a handful of municipal corporations. The reasons are reported to be lack of financial resources and technical personnel. Unless and until these local bodies are strengthened with financial resources and experienced, trained, technical personnel, no purpose will be served by making them responsible for plan preparation. The implementation of the plans by the local bodies (where they are declared as planning authorities) is also likely to meet with the same fate unless the above conditions are fulfilled. The provision in the Kerala Bill (1973) under which a local authority can be declared as a local planning authority only if the state government is of the opinion that the local authority has the necessary capacity and resources, is worth considering before entrusting them with such responsibilities. The law should also provide for adequate resources and powers of enforcement with the plan implementing agencies so that their responsibilities are matched with their resources.

The law of land acquisition is yet another area where urgent reforms are necessary. Suitable amendments will have to be carried out to the Central Land Acquisition Act of 1894 for facilitating speedier acquisition at lesser costs. The Constitution has, by the 25th Amendment, paved the way for such an amendment by substituting the word 'amount' in the place of 'compensation'. The follow-up action should be soon taken to make similar amendments in the 1894 Act and other legislations.¹¹ Unless this is done, whatever be the modifications that may be made, they will not have the desired effect. The other alternative is to enact a separate legislation on land acquisition incorporating suitable modifications in the procedure and payment of compensation and specifically exclude the operation of the Central Act in those areas where the new Act will be in operation. The Bombay Metropolitan Region Development Authority Act, 1974 is a good example that can be followed.

It is also necessary that the law should contain adequate provisions for preventing haphazard developments in urban areas before the finalisation of the plans. The peripheral rural-urban areas having urbanisability potential should also be brought under the law to guard against unplanned development which would be very difficult and costly to rectify later. It may also be worth remembering that the successful implementation of the plans is largely dependent on people's participation in planning and as such the legislation should incorporate suitable provisions for public participation in the planning process in the real sense of the term.

¹¹See author's article entitled "Land Acquisition and Implementation of Development Plans", *Nagarloka*, Vol. VII, No. 3, July-Sept. 1975, pp. 16-22.

CONCLUSION

A number of states have realised the imperative necessity for a comprehensive law on planning and some of them are even making attempts to enact the same. For purposive planning and for achieving its goals and objectives, such comprehensive law should try to incorporate from the existing legislations only those provisions which have proved to be workable and eschew those which are found to be defective. Those states which have already enacted comprehensive legislations should identify the deficiencies in their provisions and rectify them by seeking guidance from the salutary features in the planning legislations of other states. □

Planning Legislation and Administration

B. RAJAGOPAL

Indeed, as the natural flora of a country is largely determined by its climatic characteristics and adapted itself to prevailing conditions, so too have planning legislations and administration developed and been adapted to the prevailing way of life of the country.

—K. CLEMENS

PLANNING, BY its very nature, is a dynamic and not a static process, reflecting and responding to the socio-political climate of the country. Inter-acting, as it does, closely with implementation of all developments, it encompasses both physical and economic developments with the basic objective and a strong motivation for attaining higher standards of environmental and living conditions. All these planning exercises essentially fall under three well defined classifications, namely, good neighbourliness, civic design and resource allocation. Planning legislation and administration form the most important basic tools for optimal integration of these elements which only can ensure progress and welfare of the community.

Good neighbourliness which is fundamental in effective planning has, over the years, grown far beyond the original concept of mere rights and obligations of individuals—right to do what they like with their property subject to the limitation that their action should not be harmful, either to themselves or to the neighbours or neighbourhood—to wider aspects of setting and achievement of social objectives. This extended good neighbourliness, as a logical consequence, has led inevitably to the recognition of the need for regional planning. Planning is no more mere negative 'control' but a positive enabling measure to promote development. Increasing complexity and cumbersomeness has been introduced into the planning system, so much so, the principle of good neighbourliness is becoming less apparent even though the social objectives are laudable and are in strict accordance with that principle.

Civic design provides the colour and texture of the fabric of environment, though earlier motivations in this regard were for self-aggrandisement or religious fervour or for achieving immortal forms,

With gradual diffusion of ownership of land, such planning has given place to building codes and legislative measures to assemble diffused ownership as a unified whole amenable for development/redevelopment. Civic design constitutes the effective tool at macro-level for appropriate assembly of land as optimal planning units and at micro-level for control of detailed design of buildings as well as their spatial relationship. This element is best realised through administration flexibility and adaptation to change. Doctrinaire legislation or rigorous and chauvanistic administration can dangerously erode or stifle this important principle.

Resource allocation is becoming a more and more important aspect in planning since planning legislation and administration are the main tools to prohibit, approve or initiate development and any decision thereon is, in essence, a decision on resource allocation. All efforts and approaches have all to be directed towards effective synthesis between resource allocation (economic) planning and land use development (physical) planning. That such close integration is achievable has been predictably demonstrated in Eastern Europe and quite some notable efforts are also perceivable in others such as Italy, Netherlands, France, U.S.A. etc. Even U.K., whose legislations have been of significant influence on the planning legislation and administration in our country, in its recent planning legislation statutorily requires planning authorities to have regard to the economic as well as physical characteristics in the surveys of their areas and to 'the resources available' in the preparation of their schemes. The demands of social objectives will always outstrip the resources available for their satisfaction and hence the implication of resource allocation planning will increasingly challenge the pure and financially untrammelled thinking of the concepts of civic design and physical development.

Thus, in essence, good neighbourliness and civic design form the warp and resource allocation the weft of the fabric of planning. Planning legislation will then be the loom on which the fabric is woven and administration the salesman. If the fabric is shoddy and ill-designed, then the product will, sooner than later, prove to be unacceptable to the public. The immediate and essential need hence is for modernising the loom and for equipping the salesman with modern techniques and full understanding of these three main elements to be responsive to the challenges of the rapidly changing socio-economic environs.

TAMIL NADU TOWN AND COUNTRY PLANNING ACT, 1971

Reflecting the evolutionary change in the concepts and contents of planning, planning legislations in the country, more so in states with long history of planning have been also undergoing many noteworthy changes. Tamil Nadu has been a pioneer in the field of spatial planning not only in the historic past but also from early part of this century by

prescribing its practice statutorily under the Town Planning Act, 1920 as one of the most important responsibilities of all local authorities in the state. It is the second highest urbanised state in India with 30.28 per cent of its 1971 population of 41 millions—12.5 millions living in 439 urban centres which number is the highest for any state in the country. As many as 230 of these are conglomerated in 32 urban agglomerations. The expansion of the state's urban population has been also considerably rapid. In three decades since 1941, their numbers swelled more than double from a little over 5 million to about twelve and a half millions, with a considerable part of it representing mass drift from rural centres to small towns to major urban agglomerations to metropolises. The size of this growth and the haphazard expansion of numerous settlements have generated insurmountable problems of servicing and management—intolerable overcrowding and overburdened services in urban areas and in rural areas population depletion, economic decline and failing or deteriorating services that have necessarily to come from urban centres. Naturally enough, the state has been the earliest to realise that these problems thrown up by such population growth, rapid urbanisation and rural-urban continuum—both spatially and functionally—could be handled satisfactorily only in terms of regional areas and integrated regional plans where physical development on a comprehensive basis covering the entire state. The result was the enactment of the Tamil Nadu Town and Country Planning Act, 1971 ushering in a new planning strategy of formulation of a hierarchy of development plans at three levels, namely, regional, urban and local levels as regional plans, master plans and detailed development plans and providing for their effectuation through a three-tier system of planning authorities, namely, the State Town and Country Planning Board at the state level, regional planning authorities for regional planning areas into which the state has been delineated and local planning authorities for the local planning areas notified. The directorate of town and country planning has been charged with the responsibilities of technical guidance, assistance and monitoring of all planning functions. Commensurate with the propensity and multi-varied complexity of metropolitan Madras, a special authority, namely, the Madras Metropolitan Development Authority, has been constituted through an amendment of the Act.

Under the Act, the state has been delineated into eight planning regions which have been duly notified under the Act as regional planning areas, and regional planning authorities have also been constituted with the District Collector as Chairman and Regional Deputy Directors of Town and Country Planning as member-secretary. The draft plans after public seminars in the regional centres are now in the process of refinement and redrafting in terms of districts for purposes of effective monitoring and coordination of all sectoral development programmes. Ninety-

six municipal areas have been notified as local planning areas, notifying the respective local authorities as planning authorities under the Act. For eleven of the urban agglomerations centred around the major urban centres of the state, special planning authorities have been constituted with the chairman of the central local authority as the chairman and the chief town planning officer as the member-secretary. Annexures 1 and 1A are extracts from the Act of the constitution of the State Town and Country Planning Board and its functions respectively, Annexures 2 and 2A, are those of Regional Planning Authorities and Annexures 3 and 3A are of the constitution and functions of the Madras Metropolitan Development Authority.

The Act has conceived and vested in these authorities both the functions of plan formulation and effectuation and also carrying into effect these plans through actual process of development. In its streamlined construction, not only are these different tiers of plans and planning authorities dovetailed with each other but are more beautifully integrated with respective local authorities, the basic theme underlying all through being total avoidance of duplication of efforts—both in plan formulation and implementation. Of particular and paramount significance is the concept of delegation of powers and functions of these authorities to constituent units or area bodies freeing themselves to concentrate on the efficient and scientific plan formulation and policy enunciation availing fully their strong technical competence and also to ensure effective implementation of these plans and policies through the existing development/executing/administrative agencies for mutual benefit eliminating all infructuous duplication and complexities of dual functioning. This concept confers tremendous advantages to the plan formulation body divorcing it of the humdrum of routine chores of municipal civic bodies and at the same time leaving all open options to avail to advantage wherever there is strong and sufficient infrastructure in the executing agencies of the area. The added merit of this also would lie in freeing the local authorities to discharge with undivided attention their civic functions, through the assistance and toil of planning authorities fullfledged plans incorporating and reflecting their (former's) policies and programmes as well. The most noteworthy feature, however, would be the total coverage of the state's area in terms of regional planning authorities, which immediately are being reconstituted to be congruous with the administrative areas to provide for integration of physical and resource allocation planning, leading gradually towards the most desired capital budgeting as well. The efficacy is multiplied by total involvement and participation and provision for expansion of the existing efficient agencies and corporate bodies.

The Madras Metropolitan Development Authority is also full of

significant features for a metropolitan area by providing the most effective forum for vertical coordination of all constituents of metropolitan planning, development and administration. It has also provided vital strength for horizontal integration of all sub-sectors in each sub-system. Its remarkable progress and acceptability by all its innumerable constituents as also by national and international funds unmistakably have grown from the appropriateness of its structure and constitution and absolute avoidance of duplication of existing functionaries providing them unstinted support for their sustained progress. Of course, it is also truly reflective of the acceptance by people here in the background of the past fifty years of planning as a necessary way of life and also of the advantages of a modern loom and a competent salesman with an outstanding fabric.

ZONING AND DEVELOPMENT CONTROL IN THE MODERN CONTEXT

Zoning is the division of a community into zones or districts according to present and potential use of properties for the purpose of controlling and directing the use and development of these properties. It is concerned primarily with the use of land and buildings, the height and bulk of buildings, the proportion of a lot which buildings may cover, and the density of population of a given area. As an instrument of plan implementation, zoning deals principally with the use and development of privately owned land and buildings rather than with public land buildings and facilities. Development control, a concomitant part of the development plan, is the instrument of its effectuation and would in its fold include major controls in the form of zoning and land use regulations, subdivision control, building bye-laws and codes and minor controls of fire safety rules, health and sanitation rules, environment regulations, architectural control, security and safety specifications, etc.

Zoning regulations as applied today are generally considered rigid, anti-development, exclusionary, discouraging diversity, prohibitory in character and also leading to weakening of tax-structure. Looking back to our ancient cities we find no support for such an approach, variety having always been considered the spice of life. The many historic cities surviving to date demonstrate how the entire approach was an emphasis on fusion of different functional groups with due regard and consideration for the natural, physical and climatic conditions of the area and segregation only of the hazardous, strategic and highly reverential parts for special treatment and was fully responsive to the way of life and the technological level attained then. Modern way of life, more particularly, in the context of the fast pace of urban living and advanced technology revolutionising all aspects of living, working and even operation of machines, equipment, etc., makes such rigid, exclusionary approach both

meaningless and irrational and also anti-developmental. The result of giving up our ancient approaches due to the influence of these implanted intrusions relevant at an earlier stage of development in those countries even, is that development plan is quite anti-developmental and totally divorced by all realism in these development control regulations. The prohibitory approach stands to no logic where on the one hand science and technology has made available easy means of eliminating all intrusive and pollution aspects of various uses and activities, removing thereby all incompatibility. On the other hand, the present way of living and working makes it necessary and advantageous to have many link developments in close integration and their separation is either impracticable or detrimental. Demonstrative of these are the acceptance now of cottage industries in residences, consultations in professional's residences, etc. These are but rudimentary steps in the much needed revolutionary surgery on the ill-fitting segregational concepts of zoning and development control.

The job at hand is, therefore, to turn around the policy of zoning and development control including subdivision controls and building codes which are unintentionally and contrary to their design are tending to inhibit and prevent growth, change and progress and turn them as effective tools for building better urban community. The twin goals of zoning and development controls have to be thus facilitating and fostering development and at the same time protecting and preserving the community interest and city environment, which means that they should have a positive, growth-minded and progressive character. It is needless to say that not only should all exclusiveness and segregatory negative approaches be given the go by but the positive growth factors should be effectively built-in so as to have a comprehensive coverage of good neighbourliness, civic and resource allocation in the plans that are now provided to the community.

Fortunately, today there is a movement among planners to search for a firm rationale for development control and to evolve regulations to suit the Indian milieu. This may not be easy because at one end, some advocate that there need be no control at all over development. At the other end, there are people who feel the present regulations are weak and require to be strengthened and enforced more rigorously. As in the case of many similar issues, probably a middle course is the best suited to our conditions. What this middle course is to be, requires to be arrived at on the basis of studies and a rational analysis of the area planning requirements and the capacity that can be built to enforce them. The development control instituted by the Madras Metropolitan Development Authority under the master plan can be said to be a good step towards improvement over similar rules for other cities. Studies of

operational characteristics of different types and intensities of developments and activities and interaction and enquiries with entrepreneurs, the aspirant resident and environmental scientists will be essential and helpful in modernising and enhancing their efficacy. ☐

Annexure 1

CONSTITUTION OF THE TAMIL NADU TOWN AND COUNTRY PLANNING BOARD

5. *Constitution of the Board.* (1) The government may constitute for the State a Board called the Tamil Nadu Town and Country Planning Board.

(2) The board shall consist of a chairman who shall be the Minister-in-charge of Town and Country Planning and of the following members, namely:

- (a) the minister-in-charge of Local Administration;
- (b) Such secretaries to the government in the departments dealing with the following subjects, namely:

- (i) Town and Country Planning;
- (ii) Local Administration;
- (iii) Health;
- (iv) Industries;
- (v) Housing;
- (vi) Revenue
- (vii) Agriculture;
- (vii-a) Public Works;

This item was inserted by section 3 of the Tamil Nadu Town and Country Planning (Amendment) Act, 1973 (Tamil Nadu Act, 22 of 1974).

- (viii) Finance, and
- (ix) Education;

as the government may appoint in this behalf or such other officers as may be deputed in this behalf from time to time by such secretaries;

- (c) the chairman of the Tamil Nadu State Housing Board constituted under section 3 of the Tamil Nadu State Housing Board Act, 1961 (Tamil Nadu Act 17 of 1961) or such other officer as the Chairman may nominate in this behalf from time to time;
- (d) the chairman of the Tamil Nadu Slum Clearance Board established under section 34 of the Tamil Nadu Slum Areas (Improvement and Clearance) Act 1971 (Tamil Nadu Act 11 of 1971) or such other officer as the Chairman may nominate in this behalf from time to time.
- (e) three chief engineers respectively in charge of—

- (i) Public Health and Municipal Works;
- (ii) Highways and Rural Works; and
- (iii) Buildings.

(f) three members nominated by the Central Government to represent respectively the ministries of that government dealing with—

- (i) Railways;
- (ii) Civil Aviation; and
- (iii) Transport and Communications.

(g) One member to be nominated by the Tamil Nadu Electricity Board constituted under section 5 of the Electricity (Supply) Act, 1948 (Central Act LIV of 1948);

- (h) the director of Town and Country Planning;
- (i) the joint director of Town and Country Planning;

(j) four other members nominated by the government of whom two shall be from the members of the Tamil Nadu Legislative Assembly, one from the members of the Tamil Nadu Legislative Council and one from the members of parliament representing the State of Tamil Nadu.

(k) the President of the Chamber of Municipal Chairman;

(l) The President of the Tamil Nadu Panchayat Unions Association.

(3) The Director of Town and Country Planning or such officer as the government may appoint in this behalf shall be the Member-Secretary of the Board.

(4) The term of office of and the manner of filling casual vacancies among the members of the Board referred to in clauses (f) (g) and (j) of sub-section (2) shall be such as may be prescribed.

Annexure 1A**FUNCTIONS AND POWERS OF THE TAMIL NADU AND
COUNTRY PLANNING BOARD**

(1) Subject to the provisions of this Act and the rules made thereunder, the functions of the Board shall be to guide, direct and assist the planning authorities, advise the government in matters relating to planning and the development and use of rural and urban land in the State and to perform such other functions as the government may from time to time, assign to it.

(2) In particular and without prejudice to the generality of the foregoing provision, the Board may and shall, if so required by the Government—

- (a) direct the preparation of development plans by planning authorities, undertake, assist and encourage the collection, maintenance and publication of statistics, bulletins and monographs on planning and its methodology;
- (b) prepare and furnish reports relating to the working of this Act;
- (c) perform any other function which is supplemental, incidental or consequential to any of the functions aforesaid or which may be prescribed.

(3) The Board may exercise all such powers as may be necessary or expedient for the purposes of carrying out its functions under this Act.

Annexure 2

**CONSTITUTION OF TOWN AND COUNTRY PLANNING
AUTHORITIES
(REGIONAL PLANNING AUTHORITY)**

(1) As soon as may be, after declaration of a regional planning area, a local planning area or the designation of a site for a new town under section 10, the government may in consultation with the director constitute for the purpose of the performance of the functions assigned to them, an authority called the "regional planning authority", the "local planning authority" or the "new town development authority" as the case may be, for that area having jurisdiction over it:

Provided that in case where the local planning area consists of the area under jurisdiction of a single local authority, the government may declare such local authority as the local planning authority for that area.

(2) *The regional planning authority* constituted under sub-section (1) shall consist of:

- (a) the chairman to be appointed by the government;
- (b) the deputy director of town and country planning of the region;
- (c) such persons not exceeding four in number who are members of the local authorities functioning in the whole or any part of the region appointed by the government;
- (d) three other persons to be appointed by the government of whom two shall be members of the State legislature representing a constituency which consists of or comprises in, or relates to, the regional area; and
- (e) a member-secretary to be appointed by the government.

Annexure 2a**FUNCTIONS AND POWERS OF THE APPROPRIATE
PLANNING AUTHORITIES
(REGIONAL PLANNING AUTHORITY)**

(1) Subject to the provisions of this Act and the rules made thereunder, the functions of:

(a) every regional planning authority shall be:

- (i) to carry out a survey of the region and prepare reports on the surveys so carried out;
- (ii) to prepare an existing land use map and such other maps as may be necessary for the purpose of preparing a regional plan;
- (iii) to prepare a regional plan;
- (iv) to carry out or cause to be carried out such works as are contemplated in the regional plan;

(2) The appropriate planning authority shall also perform any other function which is supplemental, incidental or consequential to any of the functions specified in sub-section (1) or which may be prescribed. It may further exercise all such powers as may be necessary or expedient for the purposes of carrying out its functions under this Act.

Annexure 3

CONSTITUTION OF THE MADRAS METROPOLITAN DEVELOPMENT AUTHORITY FOR MADRAS METROPOLITAN PLANNING AREA

(1) With effect from such date as the government may, by notification in the Tamil Nadu Government Gazette appoint in this behalf, there shall be established for the Madras Metropolitan Planning area an Authority by the name of the Madras Metropolitan Development Authority.

(2) The Madras Metropolitan Development Authority established under sub-section (1) shall consist of:

This chapter was inserted by section 4 of the Tamil Nadu Town and Country Planning (Amendment) Act, 1973 (Tamil Nadu Act 22 of 1974).

(a) twelve persons appointed by the government of whom:

- (i) one shall be the chairman;
- (ii) one shall be the vice-chairman;
- (iii) six shall be officers of the government;
- (iv) two shall be members of the State legislature;
- (v) two shall represent trade and industry in the Madras Metropolitan Planning Area; and
- (vi) one shall be the member-secretary.

(b) the Director;

(c) the joint director of Town and Country Planning or the deputy director of Town and Country Planning of the Madras Metropolitan Planning Area to be nominated by the government;

(d) the commissioner, Municipal Corporation of Madras;

(e) the representatives of local authorities specified below:

- (i) if there is only one local authority functioning in the Madras Metropolitan Planning Area, two representatives nominated by the local authority;
- (ii) if there are two or more local authorities functioning in the Madras Metropolitan Planning Area, such persons not exceeding four in number as are appointed by the government who are members of such local authorities;

(f) the chairman of the Tamil Nadu State Housing Board

constituted under section 3 of the Tamil Nadu State Housing Board Act, 1961 (Tamil Nadu Act 17 of 1961) or such other officer as that chairman may notninate in this behalf from time to time; and

- (g) the chairman of the Tamil Nadu Slum Clearance Board established under section 34 of the Tamil Nadu Slum Areas (Improvement and Clearance) Act, 1971 (Tamil Nadu Act 11 of 1971), or such other officer as that Chairman may nominate in this behalf from time to time.

Annexure 3a

**FUNCTIONS AND POWERS OF THE METROPOLITAN
DEVELOPMENT AUTHORITY**

(1) Subject to the provisions of this Act and the rules made thereunder, the functions of the Metropolitan Development Authority shall be:

- (i) to carry out a survey of the Madras Metropolitan Planning Area and prepare reports on the surveys so carried out;
- (ii) to prepare a master plan or a detailed development plan or a new town development plan referred, to under sub-section (2) of section 17 or under section 20 or under section 18, as the case may be, for the Madras Metropolitan Planning Area;
- (iii) to prepare an existing land use map and such other maps as may be necessary for the purpose of preparing any development plan;
- (iv) to cause to be carried out such works as are contemplated in any development plan;
- (v) to designate the whole of the Madras Metropolitan Planning Area or any part thereof within its jurisdiction as a new town and to perform the following functions, namely;
 - (a) to prepare a new town development plan for the area concerned; and
 - (b) to secure the laying out and development of the new town in accordance with the new town development plan;
- (vi) to perform such other functions as may be entrusted to it by the government.

(2) The Metropolitan Development Authority may, by order, entrust to any local authority or other authority as may be specified in such order, the work of execution of any development plan prepared by it.

(3) The Metropolitan Development Authority may by order, authorise any local authority or other authority as may be specified in such order, to exercise any of the powers vested in it by or under this Act and may in like manner withdraw such authority; and the exercise of any power delegated in this behalf shall be subject to such restrictions and conditions as may be specified in such order. □

Legal and Administrative Aspects of Town Planning

K.S. RAME GOWDA

PROGRESSIVE THOUGHTS, through legislation, are implemented so slowly in this country that they become outmoded by the time they are translated into action. The procedure for revision of legislation, sometimes, contributes to the delay, and without revision of laws new thoughts will be only in theory and not in practice. We should be quick in bringing our town planning legislations up-to-date, with a view to realising new ideas for building better human settlements. This paper tries to explain the experiences in the past and suggest suitable legal and administrative framework for urban planning and development in India.

LEGAL ASPECT OF TOWN PLANNING

To understand how an idea found suitable in a particular period of time gets modified to suit the changed circumstances and improved knowledge, we should study the growth of town planning legislation in Great Britain. The Industrial Revolution in England brought about a general exodus of the people from the country into the town, resulting in congestion and overcrowding, apart from mixing up of industry with housing and environmental degradation. This necessitated the Parliament of England to intervene with its general enactment dealing with the subject of public health and enacted the Public Health Act of 1848.

British Experience

Other Acts, such as Town Improvement Clauses Act, the Town Police Act, and the Water Works and Gas Works, Cemeteries and Markets and Fairs Clauses Acts, had been passed by parliament in the previous year, *i.e.*, in 1847. The Public Health Act, 1848 was the first of a series of general Acts dealing with public health, to be enacted in England. The Public Health Act of 1875 repealed and consolidated the former enactments on the subject and embodied further legislation for the protection and improvement of public health. This Act has

been further improved in the subsequent Acts passed in 1890, 1907, 1925 and 1936.

The Public Health Acts prevented a repetition of health hazards. But they did not provide for dealing with the problem of removing the slums which developed in the wake of the upheaval. Moreover, the public health law catered certain particular interest and could not work for the general good. Each man's plot was considered in isolation and a man could develop his own plot in accordance with the requirements of local building bye-laws, but without due regard to the type of development which was taking place or likely to take place on adjoining or neighbouring land. One could not prevent erection of dwelling houses within unhealthy industrial districts and also it was possible for industrial buildings to intrude upon the calm residential localities. This sort of thing was beyond the scope of Public Health Acts and the slums of the Post-Industrial Revolution period had to be dealt with by a different type of legislation. Hence, the Act which marks the first important step in the new type of legislation, known as the Housing of Working Classes Act, 1890, was passed by the Parliament with a view to remedying the deficiencies of public health law regarding the housing of the working classes. This Act has been further revised and the Housing Act of 1957 is the principal Act on housing.

The Housing Acts, remedying one defect of the Public Health Acts, dealt with the slums and the provision for new buildings. But there was still a problem of the dwelling houses built in the shadow of the factory and of the factory erected in the midst of calm residential dwellings. Housing Law did not cater to them any more than did the Public Health Law. Hence, 1909 the Town Planning Law was introduced with the Housing Law, Part I dealing with the housing of working classes and Part II dealing with town planning. The Act of 1909 is the first enactment in Great Britain to deal with the subject of town planning. It is relevant to mention here that within six years of passing the Town Planning Act in Great Britain, the first town planning legislation in India was enacted in 1915 by the then Presidency of Bombay, under the title 'Bombay Town Planning Act 1915'.

Until 1925, town planning and housing were dealt with hand in hand in the statute book of Great Britain. In view of the importance of each subject, housing and town planning came under separate Acts, known as, Housing Act, 1925 and the Town Planning Act, 1925. The Town Planning Act, 1925 has been revised by the Town and Country Planning Act of 1932. The Act was further revised in 1943, 1944, 1947, 1953, 1954, 1959, 1962 and 1968. These various Acts provided legal backing to prepare master plans and town planning schemes,

Experience in India

The only Town Planning Act in India which has been revised more than twice so far, after its enactment, is the Bombay Town Planning Act, 1915, which was revised in 1954 and promulgated in 1957. It was later replaced by the Maharashtra and Regional and Town Planning Act, 1966. This has been supplemented recently by the enactment of the Bombay Metropolitan Region Development Authority Act, 1974. Some of the other Acts which are worth mentioning are: (1) the Karnataka Town & Country Planning Act, 1961 (as amended in 1964), (2) the Tamil Nadu Town & Country Planning Act, 1971, replacing the original Madras Town Planning Act, 1920 and (3) the Gujarat Town Planning and Development Act, 1976, which replaced the earlier Town Planning Act. A number of states have since enacted town planning legislations, but others depend on the legal provisions contained in the various Municipal Acts and Village Panchayat Acts.

A general review of the legal framework for town planning in India reveals the following stages of development:

- | | |
|---|---|
| 1. Municipal Acts | 19th Century. |
| 2. City Improvement Acts | End of 19th century & first half of the 20th century. |
| 3. Town Planning Acts | Middle of 20th century. |
| 4. Town & Country Planning Acts | 2nd half of 20th century. |
| 5. Major Urban Development Authority Acts | Last quarter of 20th Century. |

The town planning legislation generally covers the following aspects:

1. Preparation of development plans.
2. Preparation of town planning schemes.
3. Land Acquisition and development.
4. Enforcement of provisions made in the development plans town planning schemes through zonal regulations, etc.

The Urban Development Authority Acts cover urban development programmes, and in some cases both urban planning and development functions.

Before we discuss the administrative set-up for planning, it is necessary to know that we have a number of other legislations which deal with certain aspects of town and country planning apart from

urban development aspects. They are listed below:

Laws Affecting Town Planning Programmes

(Apart from Town and Country Planning Act)

1. City Corporation/Municipal Act.
2. The Taluk Development Board & Village Panchayat Act.
3. The Cantonment Board Act.
4. Urban Development Authority Act.
5. City Improvement Trust Act.
6. The Industrial Area Development/Infra-structure Development Act.
7. State Housing Board Act.
8. The Slum Clearance Act.
9. The Highways Act.
10. The Railway Board Act.
11. The Urban Arts Commission Act.
12. The Public Health Act.
13. The Water/Air Pollution Control Act.
14. The Water Supply and Sewerage Act.
15. Preservation of Open Spaces and Sports Fields Act.
16. The Land Revenue Act.

When so many authorities under different statutes are tackling works in and around the build-up areas in our cities, towns and villages it is imperative that the provisions of the Town and Country Planning Act should have priority over the provisions in the other Acts in the interest of the planned development of human settlements. The Development Plan (Master Plan) should be the reference plan for all the authorities to implement their programmes in accordance with the proposals contained in such development plan.

Unless every city or town or region is covered by such development plans, prepared after careful study and backed by proper legislation, it will be difficult to have orderly development through urban and regional planning programmes. The Town Planner has to use his ingenuity in directing the orderly growth of human settlements.

Town Planning legislation is still in the experimenting stage and much debate and research is needed to adopt a legislation suited to our situation.

The question still remains to be sorted out whether town planning legislation should cover all aspects of urban development or only certain planning matters. Experience has shown that some specialised functions like water supply, sewerage, electricity, transport, housing, industrial development, health, education, etc. are to be the statutory functions of

specialised agencies set-up under relevant laws. Major town planning and enforcement functions should be covered by the town planning legislations. This is discussed further under Administrative Aspect of Planning.

ADMINISTRATIVE ASPECT

Let us consider the agencies which are mainly responsible for the three major functions, viz., (i) Municipal Administration, (ii) Urban Development, and (iii) Town Planning :

| | |
|--------------------------|--|
| Municipal Administration | Municipal agencies like city municipality city corporation, town municipality, Taluk Development Boards and Village Panchayats. |
| Urban Development | Urban Development Authority as in Delhi, Calcutta, Madras, Bangalore and Bombay, City Improvement Boards. |
| Town Planning | City Planning Authorities (1961) as in Karnataka; Advisory Boards like Town Planning Organisation (1956-1962) in Delhi, CMPO Calcutta, (1961-1970) Bangalore Metropolitan Planning Board (1961-1963) and Bombay-Poona Regional Planning Board (1963-64); and Departments of Town Planning. |

Some cities organise town planning as a regular municipal function and only a few enlightened cities have separate wings for town planning, while others take advice from the state department of town planning. Quite a number of towns and villages have no town planning functions except their routine municipal functions of sanitation and road repairs. This is an appropriate time to evolve some pattern of organisation for town planning.

Exchange of Ideas

In advanced countries like USA, intellectuals, practising town planners, students of public administration, heads of municipalities, municipal commissioners, political scientists and also the citizens have involved themselves in the debate of locating planning functions in municipal governments. Discussions are continued in the technical journals and in the panel discussions of professional society meetings. Side by side cities have continued to set up new planning agencies and

also reorganise existing agencies, following different set up in different places. It shows how a progressive country advances with the change of conditions, and corrects the defective ones from the experiences gained. There is free exchange of ideas, thoughts and technical know-how. Town Planners in India also should pay more attention to the administrative aspect of planning and evolve suitable organisations for different types of human settlements.

Administrative aspect of town planning covers the following:

- (a) Enforcement of Development Plan proposals including Zonal and Sub-Divisional Regulations.
- (b) Guiding Development Programmes of various departments and individuals.
- (c) Coordinating the activities of different departments/agencies.
- (d) Preparation of fiscal plan and monitoring financial allocations, to see that the development plan proposals are implemented.
- (e) Revision of Development Plan once in five years and preparing detailed plans in the interim period including Town Planning Schemes.

Overlapping Functions

There are certain overlapping functions of the three agencies connected with municipal administration, urban development and town planning, mentioned earlier. The building bye-laws enforced by the municipality and the zonal regulations enforced by city planning authority will have certain overlapping provisions like, set-backs, plot area coverage, height of buildings, FAR, etc. On the other hand the town development works undertaken by the municipalities and the improvement programmes and town extension schemes of city improvement boards and development authorities are almost similar in nature.

Generally the jurisdiction of the local bodies are limited in extent and they do not cover all the potential areas beyond the municipality limits. Therefore it is found necessary that town planning legislation should have control over developments not only within municipal limits but also outside the limits. The other limitations of local bodies are, lack of technical know-how, mixing of planning functions with implementation programmes and modification of development plan proposals frequently. But there are some advantages also if local bodies are made responsible both for planning functions and development works.

Proper study and research is required to resolve two major issues as far as town planning legislation is concerned.

1. Whether all the local authorities can be entrusted with the

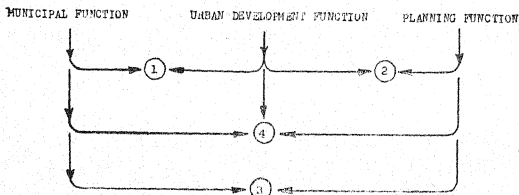
work of preparing master plans or separate planning authorities have to be constituted for this purpose.

2. Whether urban development authorities should be constituted exclusively for urban development and implementation of master plans, or they should also be entrusted with the work of preparation of master plans.

These are two basic issues, the first one concerning municipal administration and city planning, and the second one concerning city planning and urban development. Another alternative is also possible where municipal administration, town planning and urban development could be entrusted to a single organisation if an authority can be found to handle all these three functions efficiently. But, this is a rare phenomenon in our country at present.

The following diagram illustrates the possible combinations of municipal functions, urban development functions, and planning functions.

SCHEMATIC PROPOSAL FOR TOWN PLANNING FUNCTION— ALTERNATIVE



- INDEX:**
1. Municipal function and urban development function to be combined.
 2. City planning function and urban development function to be combined.
 3. Municipal function and city planning function to be combined.
 4. Municipal, urban development and city planning functions to be combined in one authority.

NOTE: Major specialised functions to be under different authorities.

CONCLUSION

Planning of metropolitan cities is quite different from that of small and medium towns. Therefore special authorities, to be in charge of

both urban planning and development, can be created as done at present in major cities in India. But the planning functions within the organisation should be separately dealt with by a planning wing and at any rate planning functions should not be entrusted to the implementing wing of the authority.

In towns of population less than 50,000, planning and implementation can be organised together and sometimes can be combined with municipal functions as done in towns of Maharashtra, provided the jurisdiction of the municipality covers most of the potential areas mature for development. Smaller settlements can be planned and developed by the taluk/district development boards and village panchayats with the technical guidance of town planners attached to such boards or town planning organisations.

To avoid conflicts between municipal functions of the local authorities and planning functions of the planning authority, the local bodies should be delegated with powers to implement certain aspects of the development plan proposals. Routine works, like the issue of building licences, widening of streets and others which are at present being executed by the local bodies have to continue to be executed by them in conformity with the proposals contemplated under the town and country planning legislation. The enforcement of zonal regulations under the town and country planning law can be delegated to the local authorities in certain cases under the overall control by the planning authority.

To overcome these difficulties we may adopt the system of planning similar to that conceived in the British Town and Country Planning Act, 1968. According to this Act a new procedure for the preparation and enforcement of development plans has been prescribed. The development plan itself is now split into two different divisions known as the 'structure plan' and the 'local plan'. The former is full of policy statements, broad suggestions regarding the strategy, trends and tendencies. It does not contain the details, but sets guidelines for the local plans. The structure plan is prepared by local planning authority and approved after public inquiry. The local plan can be made for any part of the town or a village within the structure plan or for special areas, like town centres, redevelopment areas and others. There can be any variety of local plans, but they must conform to the overall strategy of the structure plan. The local plan is made by a local authority and approved by the same authority, after public inquiry and not by the minister. Whether the local authorities are capable of discharging this new responsibility is a different question; and this has been debated continuously.

We can adopt a similar procedure in constituting special planning authorities for preparation of structure plan which may be called

'Regional Development Plan' and leave the details to the concerned local authorities which should follow the broad proposals in the Regional Development Plan. Urban planning and development is a new phenomenon in India and lot of thinking and feedback is required to evolve a suitable legislation and organisational pattern for urban planning and development. □

Basic Issues for Effective Legislation for Planning and Development

N. GOVINDAPPA

THE PROCESS of planning and development involves the ordering the use of land, regulating the building activity, securing planned growth for ensuring desirable standards of health and hygiene for the community at large. This process naturally affects the rights and interests of the individual citizens to some extent. The development of land which is held individually by different owners, is not permitted to satisfy all the demands of the owner but it should meet the interests of the public. If by way of development, a person gets an unearned income, the authorities are entitled to collect the portion of this unearned income (not exceeding one-third) as betterment levy. The Indian Constitution guarantees certain fundamental rights to individuals and specifically provides that no person shall be deprived of his property (Article 31) save by the authority of law and no tax shall be levied or collected except by authority of law (Article 265). In planning and development, it becomes necessary for a person to sacrifice some of his fundamental rights and also for acquiring the land belonging to the individuals to implement the development schemes. Hence, there must be adequate laws for planning and development to give legal backing to the plans.

LEGISLATION FOR PLANNING, ENFORCEMENT AND IMPLEMENTATION

The three main aspects involved are preparation of the plans, enforcement of the plans and implementation of the plans. So any legislation on planning and development must make specific provisions for these three basic functions, namely, planning function, enforcement function and implementation function. There must also be a proper authority which can exercise these functions over an area which should be the jurisdiction for such authority.

Incidental to these functions, the other issues to be provided in the legislation are acquisition of land, levy of betterment fee or development charge, penal provisions, financial provisions, etc. Most of the Acts

do make provision for some functions but the provisions made are either inadequate or ambiguous. Due to this inherent deficiency, the main objectives of the legislation itself are not properly achieved, some of the basic issues which are to be considered in enacting any legislation are broadly explained below.

PLANNING FUNCTIONS

The planning of any urban area cannot be conceived in isolation. The planning and development of any urban area has to be viewed in the overall context of the development of a region. Hence, the regional approach to planning of the urban and rural areas is necessary and the legislation must provide for preparation of regional development plans and their enforcement and implementation. Some of the states like Tamil Nadu and Maharashtra have already enacted legislations for preparation of regional development plans. The Act, however, must spell out the ways and means to implement these regional development plans by constituting the regional development boards which should be statutory bodies.

In a region, there will be number of local authorities and also the planning authorities for individual urban areas. The regional planning board with a vast jurisdiction will not by itself be in a position to control the developments in all settlements. In the regional development plan it may not be possible to indicate the detailed development plans for the individual settlements. In such a situation, it will be necessary to clearly spell out the relation between the regional planning board and the planning authorities for individual urban areas and other local authorities. It is suggested that this regional planning board may co-ordinate and supervise the planning, enforcement and implementations of the different authorities in the region and this board should assist and guide these authorities. The legislation in respect of regional planning lacks such a provision. Unless the manner in which the regional development plans prepared by the regional planning board is to be enforced and implemented is specifically provided in the Act there is bound to be confusion. So, one can conceive the hierarchal set-up in case of these regional development plans and detail plans for individual areas with the regional planning board at the top. The local authority and planning authorities should act as the agencies of the regional planning board, so far as planning, enforcing and implementing the plans are concerned.

PLANNING FOR URBAN AREAS

The urban area according to census definition includes small town with a population of 5000 and huge metropolitan city of more than 50 lakhs population. The provision for planning, enforcement and implementation cannot be the same for the urban areas of the lowest and

highest order. The provision will have to be separately made for: (i) the planning and development of metropolitan cities, (ii) major cities, and (iii) medium and small towns. The surveys to be carried out, the contents of the development plan, the regulations, the scale of the plans will all be different for different categories of urban areas. So we cannot have a common legislation to cover the planning and urban development of all urban areas. So it is suggested that the provisions relating to planning, implementation and enforcement be different for the three categories of urban areas mentioned above.

PLANNING FOR THE RURAL AREAS

None of the town planning Acts contain provisions for the planning and development of rural areas. It is not that the development of villages in a state is not so much as to warrant advanced planning action. Though some of the aspects of the village planning are considered at the regional level, it is not sufficient to tackle the problems of the rural areas. When we talk of linking the urban and rural areas and solving the needs of the rural people we must think of a planning and development legislation which covers the rural areas. If we can solve the problems of rural areas by integrated and coordinated planning, we will also be solving the problems of urban areas. It is suggested that a framework for legislation which accounts for planning and development of rural areas is taken up and a beginning is made to concentrate our attention on rural planning. The legislation for urban planning meets the requirement of only 25 per cent of the population without paying any attention to the rural sector which accounts for the remaining 75 per cent.

PLANNING AND DEVELOPMENT OF NEW TOWNS

In a fast developing economy like ours, it will be necessary to develop new towns and villages. We should have legislation to plan and construct new towns. The planning and development of new towns involve different set-up and different legislations compared to the planning and development of existing towns. The legislation, therefore, should make provision for the constitution of new town development authorities which can take up planning and development of new towns.

ENFORCEMENT OF THE PLANS, OVERLAPPING OF FUNCTIONS

The town planning legislations enacted by a number of states make provision to the effect that every land use, every change in land use and every development should conform to the plans and such developments should be done after obtaining necessary permission in the form of commencement certificate from the planning authority. This enforcement

function by one authority has resulted in certain practical problems because the other Acts, like, the Municipalities Act, or the Improvement Board Acts also have provision for granting permission to developments. This particular power of enforcement amounts to overlapping of functions with two or more authorities. The legislation should avoid overlapping of this enforcement function so that the role of the planning authority and the role of the local authority which are required to exercise this power is made clear and there should not be any ambiguity to the public as to whether they should approach that planning Authority or the local authority or both for getting their development plans sanctioned.

LOCAL AUTHORITIES TO ENFORCE THE PLAN ON BEHALF OF PLANNING AUTHORITIES

It is desirable that the power of the local authorities in respect of enforcement is deleted from their Acts and this power of enforcement should be exercised only under town planning Acts. If the planning authority which is supposed to enforce this plan is not having the set-up to deal with all cases of development, then the planning authority can delegate this power to the local authority in order to interpret the plans and enforce the regulations, etc., under the town planning Act. It is suggested that all the local authorities should have adequate and competent persons to interpret the plan and deal with the grant of permission. The one advantage of deleting the power under the local authorities Act and entrusting this power to the local authority itself but under the town planning Act, is that these local authorities will, now function on behalf of the planning authority so that the planning authority can exercise proper supervision and control over the exercise of the powers by the local authority. It also avoids the problems of overlapping of functions because, the functions are now vested either with the planning authority or the local authority which will be delegated with the powers of enforcement on behalf the planning authority under the planning legislation.

COLLECTION OF BETTERMENT FEE

Whenever permission is granted to the individual under the town planning Act, a fee not exceeding one third of his unearned income will be levied. If the same permission were to be granted by the local authorities under their Acts, then the planning authority which is supposed to levy fees for a permission which yields better income will not be able to recover the fees. Apart from making provision for delegating the powers to the local authority, there must also be provision to withdraw the powers so delegated in case the local authority fails to perform its functions satisfactorily. The legislation may also provide for collection of betterment levy or development charge from the individuals on behalf

of the planning authority. This is necessary because this betterment levy is the only internal resource of the planning authority.

IMPLEMENTATION OF THE PLAN

When it comes to implementation of the plan we come across with innumerable agencies who take up development schemes in the planning area. It is essential that the schemes taken up by different agencies are in accordance with the overall development plan prepared under the Act. The practical problem experienced by many authorities is that the agencies act independently without consulting the main planning body. The activities of these different agencies are unrelated to each other. Invariably, these agencies do not consult the planning authority to ensure whether the schemes are in accordance with the plan, though according to the provisions in the existing legislation, every change in land use and every development is to be done according to the plan approved by the government and after obtaining the commencement certificate. Invariably this is not done as these authorities are operating under their own statute and within their own spheres. Here the planning authority should be in a position to control and coordinate the development activities of the various agencies. Unless this is done, the integrated and coordinated development of the area cannot be ensured and the planning authority will be in a helpless position of just incorporating the schemes undertaken by these agencies.

PROBLEMS OF CONTROL AND COORDINATION

In order that no schemes are undertaken by any agency without the knowledge of the planning authority, it is better for the planning authority to exercise financial supervision and control over the various authorities. It can also be made compulsory for these agencies to obtain the clearance for their schemes from the planning authority. Further if any authority depends on the single authority for its requirement of land and finances, no development activity of the agency can escape the attention of the planning authority. Also, no development activity should be undertaken without the clearance from the planning authority. So the legislation must make specific provision making it obligatory for these agencies including the departments of state and central governments to obtain clearance from the planning authority and also the legislation should make provision for financial supervision and control by the planning authority over other various agencies. The planning authority will also be required to coordinate the functions of the various authorities to ensure integrated and coordinated development of the areas. Many of the schemes taken by the different authorities have not yielded the desired result for lack of coordination,

FUNCTIONS AND POWERS OF THE AUTHORITIES

Based on the above analysis of the facts, the legislation must clearly spell out the functions of the authority which can be grouped under four categories, namely, planning, enforcement, implementation, coordination and financing. These functions are listed below:

*A. Functions and Powers**Planning Function*

1. To carry out survey of the planning areas and to prepare reports of surveys.
2. To prepare land use maps and such other study maps for preparing development plan.
3. To prepare development plans for the planning area.
4. To prepare detail development plans or town planning schemes to be undertaken by the planning authority or any other authority or development agency.
5. To review and scrutinise and approve schemes proposed to be taken up by other municipalities and development agencies.
6. To undertake revision of the development plan under the Town and Country Planning Act.

B. Implementation Functions

7. To undertake or cause to be undertaken execution of projects and schemes in the metropolitan area.
8. To supervise and coordinate the execution of projects and schemes taken up by other agencies operating in the planning area.
9. To participate with any other authority for carrying out development works.
10. To make recommendations to the government on any proposal requiring action by the state government or any other authority for the overall development of the planning area.

C. Enforcement Functions

11. To perform the enforcement functions as provided in the planning Act.
12. To cause the enforcement of the proposals of the development plans and regulations through other authorities in order to secure orderly development of the metropolitan area.
13. To supervise or otherwise ensure adequate supervision over the planning and execution of any project or scheme.
14. To exercise such of the enforcement functions in other Acts as may be ordered by government.

D. Coordinating Functions

15. To guide, assist, advice, direct and coordinate the development activities of all departments and development agencies operating in the planning area.
16. To suggest priorities in the government departments and other concerned development agencies with regard to development schemes undertaken by other agencies operating in the area.
17. To coordinate the execution of the projects or the schemes for the development of the metropolitan planning area.

E. Financing Functions

18. To finance any project or scheme for the development of the planning area.
19. To review the physical, financial and economic plan.
20. To advance loans, or share expenses with any other local authority or other authorities.
21. To assist the authorities in securing loans from other financing agencies.

F. General

22. To perform much other functions which are supplemental, incidental or consequential to any of the above functions and such other functions as may be entrusted by the government.

After identifying the various functions of the planning authority, the legislation must make specific provision for the proper exercise of the functions and powers. As earlier stated, basically these functions and powers are vested with the planning authority. But, the planning authority need not itself perform all the functions listed under enforcement and implementation. Under the delegation of powers, the planning authority should be in a position to entrust the enforcement and implementation functions to other authorities and special agencies already operating in the areas. However, the planning authority may take up these functions itself where there is no suitable agency for exercising these functions and powers. This arrangement should help to overcome the problems of multiplicity of organisations and legislations and overlapping of functions.

ROLE OF THE DIRECTOR OF TOWN PLANNING

The basic structure of the legislation has the concept of creating statutory planning authorities to look after the planning work in each urban area. An officer of the department of town planning will invariably be the member-secretary of this planning authority. Once, the planning authority is constituted under the Act, the role of the Director of Town Planning is only to scrutinise the development plans and town

planning schemes and to make any recommendations to the government. The other role of the Director of Town Planning is in his capacity as the member-secretary of the State Town Planning Board. He advises the Board on all planning and development policies and programmes. He cannot however exercise control over individual planning authorities. The constitution of the planning authorities is such that the decisions of the planning authority are based on the planning advice given by the member-secretary even in the case of major development schemes. It is necessary that the major development schemes which are approved by the planning authority are technically scrutinised at a higher level that is, the Director of Town Planning. The legislation may make provision to this effect so that the major development schemes undertaken by the planning authorities are technically scrutinised and cleared by the Director of Town Planning. The legislation must also provide for the Director to give technical advice to the planning authorities which should be complied with by the planning authorities or development authorities.

SIMPLIFICATION OF THE PROCEDURES FOR APPROVAL OF PLANS

Under the Acts the preparation of development plans and schemes for the actual implementation is envisaged in the stages, namely, the outline development plan, comprehensive development plan and town planning schemes. By the time the third stage, *i.e.*, the process of the preparation of the town planning scheme is taken up, nearly eight to nine years will be required for getting the approval of the government for the schemes. This is practically half the time target envisaged in the development plans for the entire area. It is suggested that the procedure for preparing the outline development plan, comprehensive development plan, town planning scheme is simplified and the plans are made statutory with the approval of the government in a period of two to three years. Further, for smaller urban areas, it will not be necessary to have ODP first and then the CDP. Instead of preparing two sets of plans, namely, ODP and CDP, it may be sufficient to prepare only detailed development plan. Such a provision is made in the Tamil Nadu Act.

PROBLEMS FOR IMPLEMENTATION OF THE PLAN

The implementation of the proposals of the development plan which aims at solving the present problems and making the future requirements for the next 15 to 20 years has been far from satisfactory mainly for these reasons:

- (i) Paucity of funds for the authority to take up the schemes,

especially the non-remunerative schemes.

- (ii) Problems of land acquisition where lot of delay and litigations are to be encountered.
- (iii) The suitable machinery with adequate and competent man power, to manage the implementation of the plans.

The legislation, therefore, must provide for adequate internal resources for the authorities mainly by way of levy of betterment fees and development charges. As provided in the Bombay Metropolitan Region Development Authority Act, the state government should make contributions and loans to the funds of the authority for taking up development schemes. The provisions for land acquisition should be made so as to minimise the delay in acquiring the land and pay only the minimum value for the lands and properties so acquired. Notifications under sections 4 and 6 of the Land Acquisition Act, 1894 could be deemed to have been issued once the development plan is prepared and published by the authority. If the authority is required to invest huge amount towards land acquisition with the limited resources of the authorities, it will not be possible to execute the schemes expeditiously. The value of the land should be freezed at the time when the plans are prepared.

STATUS OF THE AUTHORITY

The legislation invariably provides summary powers to the authorities to perform planning, enforcement and implementation functions. So the status of the authority plays an important role in coordinating the activities of the various agencies and to give guidance and directives to those authorities which are to be respected by the various authorities. Unless, the planning authorities can assume the role of a high power body, the other special agencies will have least regard to the directions of the planning authority. So the legislation must have built-in provisions to determine the suitable status for the planning authorities.

PUBLIC PARTICIPATION

The legislations provide for publication of the draft development plans inviting objections, suggestions and comments and generally very few suggestions and comments on the plans are received. It will be mainly objections from the individual owners of land whose properties are affected. Hence, the public participation as provided in the legislation is not so very effective. One of the prerequisites of public participation is to educate the public on the planning concepts, planning proposals and objective and goals of planning. This education of the public on planning issues has to be done by the authorities,

How this should be done depends upon the size of the city, the details of the plans, etc. However, some minimum requirements for public education could be embodied in the legislation. The methods of taking decisions on the public comments, suggestions and objections is not provided in the legislation. Each planning authority has its own method of deciding the suggestions. The persons who have offered their suggestions and comments are to be informed of the decisions taken by the authority. Then only they will feel that they had a meaningful role by offering the suggestions. By this way healthy public participation can be expected.

An opportunity of hearing personally is to be given to the individual public who have offered their suggestions, etc., and meetings are held by the authorities in different places. It is, therefore, suggested that the legislation should provide for the method of dealing with the suggestions, objections and comments so as to encourage adequate public participation.

CONCLUSION

An attempt is made in this paper to highlight some of the deficiencies in the planning legislations enacted by some states. It is not the intention to make critical analysis of each and every provision in the Acts as the concept of the legislation varies from state to state. The problems faced in respect of certain issues like coordination, overlapping of functions and enforcement of the plans, role of the departments of town planning, etc., are broadly discussed above. Planning being a multilevel process, the legislation and organisation also have to be provided to suit the requirements of planning at different levels. The absence of legislation for rural planning and development is very much felt as the legislation on urban planning and development can only cover about 25 per cent of the whole population. Thinking is necessary regarding the legislation which should also be oriented to rural planning and development. □

Role of Legislation in Urban Planning and Development

M.C.K. SWAMY

CONGESTION, SLUMS, squatting, soaring land values, compulsory acquisition or clearance, inadequate facilities and services including housing have become inseparable attributes of our urban areas. Coming on the heels of this situation are the development control, byelaws, regulations and planned interventions by several authorities at the urban local level, which have also become a regular feature. Both these and the citizens enlightened awareness to 'social organisation' to get the services and facilities have led to a series of debates at academic and non-academic levels regarding the precepts of planning, development control, and the quality of life in the urban areas.

Although in the urban process both regulated and spontaneous growth have become a regular feature in the country, planned interventions have been subjected to a variety of scrutiny by planners, administrators, economists, lawyers and politicians. The judiciary has not been spared either in this debate in the sense some of the legislative support and actions for planning and planned development have also been questioned in courts *vis-a-vis* the guarantees written in the Constitution and the fundamental rights confirmed on the citizenry. Recently it has become fashionable, in selective circles, to blame the present ills in the urban situation to planning, development control and planning legislations including the multiplicity of organisations and problems of co-ordination.

Although such criticisms, to a certain extent, may be valid in particular instances or aspects, much of the criticisms and debates demonstrate a lack of understanding of the urban process in the country, its dynamism and its requirements. A relevant fact in this context is that "development takes place in the right places at the right time (spontaneously) dependant on the urban dynamism whether there is a planned intervention, control or support, or not". It is axiomatic that this is in response to spatial environmental determinism and factors like economic opportunities, technology and social norms. It is naive to apportion

blame, for the present urban ills, on planning legislations, planners and planning techniques.

For an incisive analysis of a legislative frame for urban planning, based on the present obtaining situations in the country, the main question which should be asked is "what functions legislation can perform in urban planning?" This is a question which has never been asked by those concerned intimately with the urban process, development and control. Much of the written material available on planning legislations—its defects, deficiencies, its plus points and experiences are based on the premise that planning legislations have been in existence since long from the previous century and in a variety of forms and with several modifications. But it should be realised that planning legislation is only a tool towards development and to that extent meets the requirements of urban process and dynamism only in a significant area or part of it. For a fuller understanding of this statement an analytical interlude of planning, the various facets of urban process and the social and political aspects of city as a community, is necessary.

URBAN PLANNING: RATIONALE AND MANAGEMENT

The city¹ as a community is a form of social organisation. This organisation enables the constituent members to satisfy their behaviour. City as a community to be effective should function with a cohesive structure and with a social system comprising different parts interconnected relatively into the system. The system encompasses the very life styles and major functional aspects of the city and the new dimensions which are implanted on it by necessary expansions and new horizons due to stepped up economic activities in the area. Thus when we talk of 'planning' in the urban context, a clear understanding of its location and structure, the community and its interest, and the futuristic needs are to be understood in their totality.

In the urban situation the underlying idea of planning for development is that all happiness and all well-being that would flow is from the continued pursuit of economic growth, modernisation and efficient use of natural resources from equally efficient organisational means.

This rationale of planning stems from the belief that it left to themselves individuals would not make decisions, which, when looked at in aggregate, lead to a maximisation of the collective welfare of the community. Since the placing of constraints upon individual behaviour is central to planning, it is essential to understand where people wish to live and where work is essential. This is the main crux of planning which would provide overall patterns for development, both present and future,

¹The term city is used in general, urban, societal context and does not connote the population size concept associated with it.

expressed as the physical and social structures of urban space and which are produced by these location decisions. Thus the contours of city planning (of regional planning) are not only economic growth but also social development with a focus on specific human needs. Therefore, planning and plans deal not only with living standards in terms of space, sanitation, provision of facilities and services, housing, allocation of land for different uses, but also a general approach towards defining functional areas of the city to articulate the aspirations of the citizen at large. These functional areas may not (do not) necessarily conform to administrative areas. Thus the spatial structure which is provided through a 'plan document' deals with the physical environment well conceived on the planning resolution of competing claims and the allocation of land for various requirements on the basis of economic activity such as residence, business networks, utilities, schools and other elements of city building and developments. A master plan (in physical planning frame) is thus a well conceived framework of these elements properly balanced and related to all of the others and in scale with the population and economic and financial means of the community. In other words, the master plan provides a general record of the desirable future and development of the community and provides a management resolution from its innovative approach to the various management problems at the local level. Thus master plan is not a static document but is a statement of desirable parameters for development.

To that extent, master plan requires management techniques and tools, and local and institutional support to effectuate the goals and aspirations defined within it. From this point of view the planning legislation and the institutional support, the regulations and rules are only tools to achieve these goals. In the legislative parlance the town and country planning legislation is only an 'enabling law' and not by itself the ultimate frame from the aspirations of the community.

From this basic premise the efficacy or otherwise of the current planning legislations have to be analysed. It is not correct to say that the important aspect of development control in a planning legislation is the *bete-noire*.

The pattern of local government in the country has been inherited from the British model and a clear influence from the same country could be seen in the evolution of town and country planning Acts in the country. However, a major factor which has to be kept in mind is that a local government has a general responsibility for the well-being of the communities it represents: its concern is not confined to the discharge of duties imposed on it by the statute. It must seek to promote community well-being in all its aspects—economic as well as social, cultural as well as physical—whether or not it has a statutory duty in relation to any particular aspect. It must be clear from this angle that the quality

of life in urban area is very much related not only to the local government structure but also to the aspirations of the citizens. What one has to look in this context is not so much the organisational structures of a local government but the process of management and policy formulation which these structures are designed to sustain. From this point of view there needs to be quite a bit of revamping of the local government structure in the country to discharge its duties effectively and more precisely.

A significant and a rational aspect of management is 'development' which with an extended definition would include land use planning, provision of infrastructural facilities or town planning as a whole. Land use planning and control system is thus a management tool to achieve the objectives and to a certain extent is reflected on the effectuation of the development plans through the present institutional structures at the local level. The dilemma, therefore, is not in planning legislation nor in the community aspirations but in its management tools and structures evolved for development purposes. Unless this is understood and a new synthesis for public administration and decision making is evolved, there cannot be any rationality behind the present criticism of the planning legislations. This is not to advocate a new thinking towards corporate planning as is being advocated by one school of thought. What is being advocated is the need for policy postulates, and their focus and effectuation through a structural innovation.

For a successful planning process, a highly sophisticated political synthesis and professional expertise both in planning and administration are prerequisites. These are, however, lacking at the present juncture. What is currently in vogue is the *problem of legitimacy*—through a statute for the planning percepts thereby justifying intervention particularly in city planning. What is being implanted through the statute is not the fuller percept of planning but only the physical aspects and domains of planning. Added to this is the present day awareness that planning legislation is the panacea for all the urban ills including that of social and economic aspects and the life-styles. This is a very ill-informed view which planners, administrators and lawyers have evolved and to a certain extent influencing the political synthesis in the country. What is required is a clear understanding of the urban ethos, its dynamism and its requirements.

PLANNING, LEGISLATIONS AND LIMITATIONS

By its very facets, city planning is a conglomerate of all desirable futures. Therefore, a multiple-pronged approach to deal with different aspects of planning is imperative. A concomitant result of this concept is the need (necessity) of multiple organisation structures to deal effectively with the required functions and within a frame of jurisdiction. Such being the basic requirements, multiplicity of organisations or

structure in effectuating the 'plan' aspirations (as opposed to a static plan document concept) is inevitable.

This is not to advocate conflicts and problems of organisation due to overlapping functions, jurisdictions, plurality, and linkages. What is required to be understood is the level of multiplicity and its extent, and the provision of an innovative institutional structure to cater to these functions within a purposive and determined jurisdiction. To that extent, perhaps amalgamation of some of the current overlapping or controverting planning legislations into one fold may be necessary.

There is no need to fret about fragmentation of resultant functions and responsibilities among a number of organisations and their coordination. The conflicts and consequent wastes of resources, energy and investment can be avoided, provided the number of organisations, at a local level, are limited to the main functions chosen keeping in view the temporal coordinates of the objectives and goals (to be achieved).

Development control and other provisions in a planning legislation should not be construed as the objectives and goals of planned development. They are only tools which help facilitate a planned growth in a preordained manner but within a time frame allocated for it. The development control or the restrictions imposed by it, popularly known as negative aspects of control (or development) are in reality not 'negative'. Under the basic premise of planning, wherein certain curtailment of individual rights are essential for the community welfare and well-being, it is the 'positive' factor which is stipulated for enforcement under the long term frame of the goals.

A case in point would be zoning regulations, building byelaws, and other rules connected with plan implementation. The concept of zoning is mainly related to prevention of future nuisance—that is the prescribing of future uses which are permissible for a vacant land as against the existing uses or existing structures in the area. At the time of enactment, the existing uses cannot immediately be eliminated if they are non-confirming, but the assumption underlying zoning is that the land has a value which is conceptual to the land use decisions (for zoning) and is always related to the overall comprehensive plan of schemes. The statutory 'planning command' by the law thus appears to give only the restrictive definition which is more apparent, but behind it is the justification which planning provides for such use and other restrictions in the overall interest of the total community as a whole and based on the requirements presented for a future date in the master plan. Similar is the case of byelaws, which although appear to be restrictive provisions are in essentiality the very basic requirements for the provision of air, light, inter-play of structures, and sufficient movement for the population to ensure a healthy, confident, orderly, and general well-being of the community (or part community) which would live in those precincts. To

that extent, zoning and bye-laws imply efficiency in and use. The public control of land use is based on the need to deal with externalities. The fact which is of immediate relevance is the aims and objectives (of planning) and prevention of unsupportable external costs, which if no zoning and bye-laws are adhered to, would have to be met (or paid).

However, these aspects of zoning and byelaws cannot be answered easily by a statute which gives the restrictive provisions in terms of land use allocation or building restriction, etc. There would be, of course, justifiable value conflicts leading to litigation and court decisions on the provisions of the statute insofar as these aspects are concerned. Nevertheless, it must be understood that these planning decisions affect and re-distribute development values throughout the juridical area of the plan on a comprehensive basis and not on individual basis. This point can never be completely borne or incorporated into the statute, however, well designed the clauses are in the statute.

The disputes in zoning and byelaws which arise at different time spans are mainly related to 'other factors' which are present particularly at one temporal period and which clearly affect the individual (or group of persons) concerned with respect to rights and privileges; but these are essential clearly from public health, safety or general welfare of the people of the community concerned. Lack of understanding of this premise at all levels, namely, the planners level, administrator level, and by the staff implementing it is the reason why these provisions of planning legislation are relegated to negative aspects of development and control, and further constitute problems of coordination, litigation and confusion.

Another important aspect which needs mention in the urban context is squatting and efforts to remove squatters from (so) designated public lands for their accumulated and agglomerated problems and issues. The dynamic impetus for squatter colony creation (or slum creation) is a related phenomena to the market forces and social forces obtaining at a particular city or space and in a given time. Such areas of spontaneous growth become problematic to local government by the magnitude and intensity of squatters and the due demands of the (resident) population on the services, facilities and utilities. Further, the lack of habitable space, congestion, squalour, and other social adjustment problems provide differential pressures on the community in terms of demands, need requirements, and nuisance or other values, which generate an equally forceful move to clear, eradicate and remove such pressure groups from such locations. It may be seen that squatter colonies or squatter residences are spontaneous growths and stem from 'externalities' which may be due to the wrong emphasis in the implementation of a master plan or its administrative nuances, or other causative policies external to the local economy but directly related to the immediate (city) environment,

or national or sub-national issues. The desirability of eliminating such population concentrations may emanate from many factors, societal, political or environmental. But the legal tool with which it has to be effectuated is mainly the existing statutes. Thus a clear understanding of the use of the legal statute as a tool for effectuating a policy administration insofar as haphazard or spontaneous growth has to be understood.

Further it is imperative that as far as urban planning is concerned, a perfect piece of legislation, to portray the concepts of a master plan or development plan, is a mirage. Considering the urban dynamism (and its temporal aspects), and the political synthesis which have their own dynamic processes as a reflection of the community aspirations planning legislations become obsolete every quickly, and to that extent need modifications and updating.

From desirable operational frames more comprehensive planning legislation could be construed to give a new orientation to the present day urban ills or avoiding the pitfalls of the present day legislation(s). How this could be achieved either by amalgamation of several laws and (or) avoiding too much multiplicity of organisations and problems of coordination is a matter of detail which has to be undergone in respect of each urban local community and not on a regional scale or sub-national level. However, another equally important prerequisite for this kind of 'urban organisational planning' is the imperative need for innovative public administration and a new thinking in certain concepts of administration, its machinery and its approach to urban problems. □

A Case for Change in the Structure of the Local Authorities for Purposeful Planning and Development

G. VENKATARAMANA REDDY

FOR THE first time, in the second decade of this century, comprehensive planning legislations have come into force in Bombay and Madras Presidencies of British India. Sir Patrick Gaddes, the pioneer in the contemporary concepts of planning and who toured extensively the Bombay and Madras Presidencies, perhaps inspired the then governments of those Presidencies who enacted the legislations for orderly planned growth of their fast growing urban settlements. These two legislations mainly intended for providing planning powers to the urban local authorities, (*i.e.*, municipal corporations and the municipal councils of the major urban settlements) which were showing signs of rapid development due to expansion of commerce and industry along the main lines of newly developed communications like sea-ports, railways and highways.

Even many years after independence, several states in our country do not have comprehensive planning legislations. Under the five year plans, in both urban and rural areas, several development programmes have been planned and executed. During the last three decades most of the economic activities had been concentrated in our urban centres. The economic activities attracted lots of people from the rural areas. The urban centres have haphazardly grown in size without any planned controls and with several socio-economic problems. All the five year plans of our country so far concentrated only on the financial allocations necessary for various socio-economic activities. But very little thought had been bestowed towards ensuring proper livable environment for the population both in rural and urban areas. Today, both the central and state governments have become very much concerned about the fast deterioration of the environment in the human settlements of our country and they have now realised the importance of the need based coordinated, socio-economic developments both in rural and urban areas, so that there will not be drift of population from the rural

to urban areas. It is also their aspiration to ensure tolerable living conditions for the population in the urban settlements.

Anything which relates to planning and development directly affects the uses of land. Most land in all the habitable parts of our country is under the private ownership. Maximising the profits out of the use of land is generally the aim of the vested interests in land. But this maximisation of profits shall not be against the larger interests of the society. To achieve this objective, community control on the use of land through planning [legislation is essential. But only few states have planning legislations to plan and to control use of land in both urban and rural areas. Some of them do not have effective planning legislations even for the urban areas. In the absence of suitable planning legislations, they claim to secure orderly growth through several piece-meal legislations without adequate powers for the preparation of the plans, regulation of land use and plan implementation. There are also several authorities trying to perform the functions of planning and development in the areas covered by the local authorities which also have parallel powers vested in them under the statutes under which the local authority functions.]

In some of the states like Tamil Nadu and Karnataka as per their recent planning legislations, the planning and development functions have been divested from the local authorities and entrusted to planning authorities constituted for each urban area or urban agglomeration. According to them it was necessary for the reasons: (a) the local authorities of the urban areas could not give adequate importance to planning and development; and (b) it will be possible to obtain better coordination and results if an independent planning body consisting of few members is entrusted with the functions of planning and development in the urban areas which are under the jurisdiction of local authorities like municipal councils and the gram panchayats. These planning authorities are now functioning for over a decade.

Though these objectives are lofty, it is necessary to find out the extent to which they could achieve things even nearer to the objectives:

- (a) These planning authorities usually consist of few officials and non-officials nominated by the government and the local bodies and the plans prepared by these planning authorities do not have direct involvement of the concerned local authorities.
- (b) These planning authorities find it more easier to plan than to implement the plan. The local authorities who are vested with the powers for granting licences for buildings, sub-division of lands and factories do not always cooperate with the planning authorities. These overlapping functions of the local authorities

had many a time led the planning authorities to the brinks of frustration.

- (c) Non involvement of the local authorities consisting of elected representatives in the planning process, have made them indifferent to the development plans, and they consider that the responsibilities of development is entirely the concern of the government which was responsible for the constitution of the planning authority. Many a time they were found to be indifferent to many important schemes, which they could have otherwise executed, out of their own finances if these planning authorities had not been in existence.
- (d) For implementing of the schemes as per the sanctioned plans, the local authorities are reluctant to provide any financial assistance to the planning authorities. For everything the planning authorities will have to look to the government for any financial allocation, as they do not have any other sources to raise their own financial resources. Ultimately the development plans continue to remain as paper plans.

These difficulties are being experienced not only by the planning authorities of smaller urban agglomerations but also by many high powered development authorities constituted for the metropolitan city regions. Unhealthy misunderstanding and rivalries between the development authorities and the concerned local authorities have already come to the surface. The growing differences of opinions between them are affecting the progress in the developmental activities. In the larger interest of the welfare of the citizens, the basic concepts of the planning legislation and legislations concerning local authorities should undergo changes with a view to ensure effective public participation in the process of planning and development both for rural and urban areas. In spite of several inhibitions, the planning and development of human settlements by authorities other than the concerned local authorities may not prove successful unless the state government support these planning and development authorities with adequate financial assistance and extensive powers to carry out schemes in spite of the non-participation by the concerned local authorities. This may not happen in the near future. In the matters relating to planning and development, the local authorities are to be taken into confidence.

If the important functions of planning and development are to be with the local authorities, the next step should be to find out as to whether the existing structure of the local authority is adequate enough for this purpose.

The Constitution of our country has recognised the following

hierarchy of governments for administering the affairs of the people:

1. The Central Government,
2. The State Government, and
3. The Local Governments.

The local governments almost in every state consist of the following:

- (a) The municipal corporations for the cities in the metropolitan areas.
- (b) The municipality for the larger urban settlements.
- (c) Gram panchayats for the rural settlements in the rural areas.

In addition to the gram panchayats, in many states in our country, there are panchayat samithis for every group of villages and zila parishads having jurisdiction on the rural areas within each of the administrative districts. All these local authorities are administered through the councils consisting of elected representatives. Every square inch of habitable part of our country is now covered by one local authority or other. Therefore, it will be necessary to entrust the functions of planning and development only to the local authorities which are represented by the persons who are directly elected by the people through adult franchise. There can be no better public participation than the direct involvement of the local authorities in the planning and development process. The local authorities are to be taken into confidence and shall be provided with adequate administrative and financial infrastructure for this purpose. Therefore, it is necessary to equip the local authorities, if necessary restructure them so as to enable them to shoulder the responsibility of the planning and development of the area under their jurisdiction without directly involving other agencies in the field. But the study of the structure and functions of the local authorities in most of the states in our country would reveal that they are not adequate.

The municipal corporations are usually constituted for metropolitan cities. Their boundaries perhaps have been determined long ago and now these cities have outgrown their limits. Except from the maps, on ground it is very difficult to identify the limits of the municipal corporations. Due to the reluctance of the local authorities having jurisdiction over the vicinity urbanised areas of these cities for the merger of their areas with the corporation limits, the municipal corporations usually confine their activities within their jurisdiction, in spite of the fact that the people in the urbanised vicinity areas need all the facilities usually provided within the corporation limits. These fringe areas grow without any planning control with haphazard developments. The population in

them mostly depend upon the facilities usually provided within the city limits. This disturbing trend is prevailing in the fringe areas of almost all cities. There is immediate need to check them in the interests of the coordinated developments in the urbanised and urbanisable areas.

In these circumstances, the state governments have considered that it will be possible to get over these problems by bringing the entire urbanised and urbanisable areas in a metropolitan region under a high powered development authority. These development authorities, though are provided with the powers for planning control do not get adequate cooperation from the local authorities who are not directly involved in the process of planning and development. Perhaps, it will be possible to solve these problems by bringing the entire area covered by the metropolitan region under a single local authority as in the case of London County Council and this local authority should be administered by a council consisting of elected representatives of the people living in that region. It can be an autonomous metropolitan district council and shall exercise control over the smaller local bodies within that area. When a metropolitan district council is constituted for a metropolitan district within that district there is no need for the existence of conventional municipal corporations, municipalities and gram panchayats. For the purposes of maintenance of services and also to secure effective civic administration, the entire metropolitan district may be divided into several viable units with almost equal units of population. These metropolitan district councils shall have the powers of planning and development of the entire metropolitan district. It may be necessary to consider it as the central educational, public health and transport authority. It may be also entrusted with several other functions which are normally to be discharged by the municipal corporations. The powers regarding the development control like building regulations, land use and subdivision controls and the control on the location of industries shall be vested in the metropolitan district council only. However, the local bodies of the sub-districts may be delegated with powers by the metropolitan district council to dispose of the cases regarding the permission for developments like disposal of building applications, the control of unauthorised constructions and encroachments, etc.

As in the case of Maharashtra Town Planning Act, or Madras Town Planning Act, 1920, the municipal councils of the cities and towns (urban settlements) shall be the planning authorities also, with the powers to plan, regulate and develop. They shall also have the powers for raising finances by levying development charges, etc., for the speedy implementation of the proposals contained in a master plan drawn up for the area under their jurisdiction. But the jurisdiction of such local authorities shall include the entire areas which are already urbanised and areas which are likely to get urbanised within a period of

about 20 to 30 years. In the larger interests of planning and development, the limits of the municipality shall be reviewed once in 20 years at least. Whenever there is need, its limits shall be extended till such stage there is scope for the constitution of a metropolitan district council. Irrespective of the willingness or otherwise of the local authorities like gram panchayats in the vicinity areas, the limits of a municipal council shall be fixed by the government after a through socio-economic studies of the settlement structure of the urban area. In any planning area there shall not be dual control by both the municipality and the gram panchayats. If this principle is accepted, the concepts as enumerated in the Madras Town Planning Act, 1920 and the Maharashtra Planning Act will be quite adequate with necessary suitable modifications to suit the present day conditions.

The developments in rural areas shall go hand in hand with the development in the urban areas. Either a rural or an urban settlement cannot thrive at the cost of the other and there shall be socio-economic interaction between them. In many respects the social infrastructure required for the rural population cannot be compared with those available for the population in urban settlements. Further, in the matter of economic development, the rural areas have not been given adequate attention. Therefore, to prevent the drift of rural population towards urban areas it is necessary to develop within the rural areas enough socio-economic infrastructure which are normally available in the urban areas. As already expressed by Gandhiji, the developments in rural and urban areas shall be complementary to each other and the urban areas can no more remain to be the centres of exploitation of the rural population. Therefore, it is high time that planning and developments of the rural areas are given immediate attention.

Certain state governments in their planning legislations have provided for the preparation and implementation of regional plans by regional planning boards consisting largely of officials and non-officials nominated by the government. Most of the legislations relating to town and country planning which are in force in many states of our country have elaborated the procedure of preparation of plans only, but very little has been said about the aspects regarding their implementation. Many regional planning boards have succeeded in producing excellent plans after conducting elaborate studies regarding the socio-economic aspects of the region. But after these plans are sanctioned by the government, very little interest has been shown for implementing them. These regional planning boards have to depend only on the state governments for financial assistance for the implementation of their plans. The local authorities within the regional plan areas do not appear to have shown any eagerness towards the planning of the region or their implementation,

The rural areas in our country are governed by a three-tier local administration comprising of gram panchayats, panchayat samithis and zila parishads with distinct functions assigned to each one of them. Especially the gram panchayats in Andhra Pradesh are vested with powers of control on building, sub-division of land and industrial location, though they do not have powers of planning and development. In some states including Andhra Pradesh it will be possible to give them planning powers by extending the provisions of the planning legislations or municipal Acts to gram panchayats areas. But in practice, it has been observed that they do not have adequate resources and they find it impossible to employ technical personnel for the preparation of plans or for their implementation. These gram panchayats do not have the capacities to plan and to undertake developments as per the plans. It is also impossible to secure proper coordination if these gram panchayats are made the planning authorities. Further, the development plans of these gram panchayats shall form part of the basic development plan for the entire administrative district. In these circumstances, gram panchayats cannot be considered to be a viable unit for being a planning and development authority. Therefore, it will be necessary to make the zila parishad as a planning and development authority with as much powers as suggested for a metropolitan district council or for a municipal council. These zila parishads today do not have any say in various matters relating to the development schemes which take place within their districts. On many important items like the development of irrigation sources and their distribution and many matters relating to the development of communication systems, development of centres of higher and technical education, the decisions are taken by the various government departments rather than by a zilla parishad. Even in all matters of district administration zila parishads should have as much powers as envisaged for a metropolitan district council or a municipality. They shall also have the powers to control the activities of gram panchayats in matters relating to licencing of buildings, land sub-division and the location of industries. The relationship between the zila parishad and the panchayat samithis shall be the same as metropolitan district council and its sub-district councils. Any development authority within a district of a state shall not proceed without its clearance of the zila parishad which shall take care to see that any development takes place as per the district development plan. The regional plan for an economic region or geographical region which has already been prepared or which is in the process of preparation may serve as an advisory plan only and the principles enunciated in such advisory plan may be got incorporated in the authority plan for development of the district.

If the local authorities are to be the planning authorities in the manner referred above, there is need to have the following legislations

enacted for the purpose of restructuring the systems of the local administration at different levels.

1. Legislation governing the constitution and administration of the metropolitan districts through metropolitan district councils and the sub-district councils.
2. Legislation for the constitution and administration of the municipal councils.
3. A legislation for the constitution and administration of the rural areas of the districts through zila parishads, panchayats samithis and the gram panchayats.

All these above three statutes shall not contain aspects relating to licencing of buildings, approval of layouts for land subdivisions, grant of permission for the location of industries and other related subjects. These shall form part of the statutes relating to planning and development only. For bestowing adequate attention to planning and development and also for the formulation of schemes and the speedy disposal of the cases relating to planning controls, there shall be provision of statutory committees within the framework of these statutes relating to local authorities.

4. There shall be a separate statute for the entire state for planning and development of the urban and rural areas which shall include all matters relating to the preparation of plans, zoning regulations and other matters relating to development control, levy of developmental charges, land acquisition, etc. The planning authorities shall be metropolitan district council, municipal councils and the zila parishads, etc. This statute shall also lay down the nature of relationship between the local authorities at various levels and the relationship between the government and the planning authorities.
5. Almost all the statutes relating to some aspect of development or other, prescribe different procedures for land acquisition. There are variations also in matters relating to the mode and quantum of payment of compensation. But the provisions of the Land Acquisition Act, 1894 which is in force in all states of our country remain without any substantial change. Any development by the public institutions are intended for public purpose. Therefore, there appears to be no justification to prescribe different procedures and different modes of payment of compensation. There shall be only one comprehensive Act for land acquisition and all lands required for any develop-

ment for the larger interests of the society shall be acquired under this statute only which shall be uniformly applicable in all the states for our country. The compensation payable for the acquisition of land shall be based on the existing use value only and the potential use value of land shall be excluded. Further, the Land Acquisition Act, 1894 which was enacted by the British Government shall be completely overhauled, so that it can satisfy the ideals and the needs of the society of a welfare state.

According to the 1971 census, 20 per cent of the population of our country, i.e., 109 million lived in urban settlements and agglomerations. It is estimated that in 2001 A.D., the population in our country will be in the order of about 1000 millions and the urban population will rise up to 4 per cent of the total population. It would mean that in the year 2001 A.D. in urban areas the population will be four times more than the urban population which existed in the year 1971 A.D. The census of 1971 A.D. also revealed that the bigger cities have recorded rapid growth and the growth of medium and small towns had been marginal. The population in some of the smaller towns is also declining. If the prevailing trend of growth of urban settlements are to continue, the life of the citizens in urban areas will become virtual hell. Therefore, if the planning and development for the orderly growth of our human settlements are to be successful, without any further delay the central government shall come forward with specific national policies with regard to urbanisation. Any development plan for any region or a human settlement (either rural or urban) shall conform to this national policy.

For the balanced economic growth of all regions in our country, the central and state governments shall also spell out the national and state policies, on the following matters:

1. Population control.
2. Location of industries and other economic inputs.
3. Housing standards and standards regarding social infrastructure.

With these clearly laid out national and state policies, it shall not be very difficult to work out a purposeful plan for any development or to formulate an effective statute for planning and development. □

Planning Game and Urban Development Authorities

B. KAMBO

IN INDIA urban planning has by and large been conceived as 'plan making'. Other aspects of the planning game, *i.e.*, plan sanctioning and plan implementation have somehow been outside its main stream. These two aspects are as vital as the first one. All the three are inter-related coordinates of a single function, *i.e.*, planned development. While a technically sound plan could be prepared for any area by a group of competent professionals, it would require a legal statute under which it could be processed and sanctioned. Adequate administrative machinery would need to be established to implement it. Such a machinery would also require effective enabling legal provisions. A legal frame is thus a prerequisite for plan preparation, plan sanctioning and plan implementation, the three stages for promoting planned development.

Plan implementation not only requires resource allocation and judicious selection but also programming and phasing after identifying the projects and establishing priorities. It requires programme evaluation and effective monitoring as well. All these are vitally important. A successful plan implementation programme is thus dependent upon adequate legal provisions, effective administrative machinery, sound technical base and reasonable financial resources backed by active people's participation and support. Plan implementation has two broad aspects—regulatory and developmental. Regulatory aspects are negative tools for enforcement of plan provisions and to ensure that all development conforms to the plan objectives. Developmental aspects are, however, positive and require initiative by the local body and other development agencies to programme and promote development.

Administrative machinery could be effective only if it is established within the frame of a proper planning law enabling it to perform both regulatory and developmental functions. Most of the earlier legislations in the country were framed for the limited purpose of 'plan making' only. The Bombay Town Planning Act is one of the earliest in the country. The Madras Town Planning Act was framed thereafter. Many

states enacted new legislations to establish Improvement Trusts in the cities to perform specific functions. After independence, State Housing Boards were set up under separate statutes to undertake house building and land development activity. No attempt had, however, been made to bring 'planning' under one umbrella.

The Delhi Development Authority (DDA), set up under an Act of Parliament in 1957, was perhaps the first agency in the country established to perform all the three aspects of 'planning', *i.e.*, to promote planned development. Experience has, however, shown that it could not come up to the desired expectations. The law was itself found inadequate in many respects. After the establishment of the Delhi Development Authority, a spate of urban development authorities had been set up in the country during the last 10-12 years with the objective of promoting planned development. While formulating enabling legislation for establishing such authorities, most of the states had taken DDA as the model. Some states almost copied the Central Act and only substituted the word 'Delhi' by their own city. The Central Act itself had, however, some pitfalls. While DDA was expected to function as the unified agency for regulating and promoting development of the Delhi urban area in accordance with the master plan, in effect it became another one among the many development agencies already functioning in the union territory. Many agencies and departments bypassed DDA while undertaking development. There has been a demand from many sections of the metropolis to reorganise the urban government in Delhi and to provide it with a unified agency but no satisfactory solution has yet been found to this vital question.

Most of the major cities in the country now have urban development authorities besides the conventional municipal corporations or councils. These authorities have come into being for the purpose of bringing planning and development functions under one umbrella so as to promote planned urban development of cities and towns in an integrated manner. These have been constituted under new statutes as a follow up action after the preparation and sanction of the master plans. The planners themselves have taken lot of initiative in the drafting of the new statutes. These authorities are nominated bodies composed of government officials as well as citizen's representatives. The chief executive in almost all cases is a generalist. The planning function, which was the key factor behind the setting up of such urban development authorities has, however, been relegated to a secondary position. The planner has more or less been forgotten. This has done immense damage to planning and plan implementation. Although it may be rather too early to comment on the performance of these urban development authorities and whether these are subserving the objectives for which these had been established, if Delhi Development Authority is taken as an index, it could be concluded that it is a glorified name for

the Improvement Trust. DDA has functioned as a development agency. It abrogated its principal function as the coordinating body. In the zeal for undertaking development by its own staff, it forgot its overseeing function which was much more important. The age old enmity between the mother institution, *i.e.*, the municipal committee and the improvement Trust has been magnified further. The local body does not feel full a participant in the development of their city. It is necessary to analyse this matter very carefully.

Urban development has been recognised as a local level activity. The local body must then be entrusted with this task. The municipal councillors are the elected representatives of the citizens. They are answerable to their people for their performance. The urban development authorities are, however, not answerable to municipal councillors. The elected representatives thus rightly feel left out and helpless when decision making, relating to the development of their cities and towns, is no more fully within their jurisdiction. Policies framed by the urban development authorities generally reflect official thinking. People's participation in the development process is substantially scuttled by eliminating direct involvement of the municipal councillors in decision making. The present approach for establishing urban development authorities in addition to the municipal bodies has many drawbacks:

- The municipal body does not feel a full participant in the development process.
- People's participation in the plan making and plan implementation is substantially eliminated.
- People's support to planned urban development is not fully reflected.
- The local bodies are impoverished by taking away their legitimate functions.
- New institutions are established to perform some specific aspects of planned urban development, as distinct from total development, thus burdening the society with the added cost of the establishment with inadequate corresponding benefit.
- Very serious problems of coordination, between the municipal body and the urban development authority, are created most of which have hitherto remained unresolved.
- Problems of maintenance, after completion of development, have also remained unsolved.

It appears that for promoting planned urban development in an integrated manner, solution may have to be found within the institutional frame of the local bodies. The municipal committee should perhaps be revitalised and its legitimate functions restored to it. The relevant

Act needs to be carefully studied and sections requiring amendments and replacement be suitably modified so that it provides for the city the desired enabling legislation as an effective tool both for regulatory as well as developmental aspects of plan implementation. This will on the one hand provide an inbuilt fullest public participation and thereby people's support in the decision making process and on the other hand reduce immense expenditure of duplicating establishment. Overlapping of several functions would be avoided and problems of coordination would thus be automatically minimised if not eliminated. One such important amendment in the allied legislation shall be modification to the Central Land Acquisition Act of 1894. Land is by far the biggest single resource for any local body to finance its development programmes. It is, therefore, imperative that all urban and urbanisable land in a city should be in public ownership rather than in private hands. The present legislation, *i.e.*, the Central Land Acquisition Act, under which most of the cities acquire land for undertaking urban development, is grossly deficient in many respects for expeditious land acquisition work. Many important schemes and projects for undertaking social housing programmes and/or public utility services could not be implemented or got substantially delayed because of lengthy and time consuming process for acquiring the requisite land. It is very essential to redraft or modify radically some of the provisions in this Act so that it helps to achieve the social objectives and assist in plan implementation in a positive way.

A revitalised municipal body should have a single executive. He must not, however, be a generalist. He should be a functionary. He must be development oriented rather than secretariat oriented. He has to be a competent professional manager. He should be fully conversant with the intricate and complex problems of urban development and local government. A municipal body should have four or more independent wings or departments such as planning, engineering, accounts and administration. Each department should be properly staffed with qualified persons and headed by a competent professional and functionary to advise the chief executive in the respective areas. The chief executive would be directly responsible to the municipal corporation/council and the mayor/president. It should be the responsibility of the planning department to compile and prepare each year a capital budget for consideration of the civic body. This should be prepared after identifying specific projects in the context of priorities and phasing of the development programme indicated in the long range plan for the city. Once such a programme is approved by the municipal body, it shall be the responsibility of the engineering department to implement it faithfully and strictly as approved by the civic body. Any variation during implementation should be referred back and approval obtained.

The planning department should thus act as the coordinating agency on behalf of the chief executive. There could be a statutory provision within the frame of the municipal Act for setting up of a development committee on which could be appointed, in addition to the municipal councillors, other officials and/or experts whose services would be beneficial for formulating and implementing various development schemes.

The most important feature in adopting such a structure would be that the citizen would clearly know that there is only one agency in his city where he would be required to go to and redress his grievance. The state and the central government would also be quite clear that the municipal body is the only agency responsible for implementing all development plans and it is fully answerable for all its actions and decisions. In today's context neither the municipal body nor the urban development authority could be held fully responsible for any specific project. There is bound to be shared responsibility. Solution to handle and solve ever increasing, intricate and complex urban development problems does not perhaps lie in setting up new institutions, thereby duplicating the functions. Solution lies in improving and revitalising the existing agencies and if necessary fully substituting the same. ☐

Town Planning and Housing the Economically Weaker Sections of the Community

G.C. MATHUR

INDIA ACCOUNTS for about 15 per cent of the world population but only 2 per cent of the world's land area. The density is the highest amongst the Asian countries. The high population growth rate has aggravated the situation since the area of land available to the country remains the same. The problem of high density has led to an acute problem of housing in urban areas.

According to the NBO (National Buildings Organisation) there was a housing shortage of 3.8 million units in 1974. Rapid industrial growth in urban areas has resulted in the rural-urban migration (32%) and the unabated population explosion has further, accentuated the housing problem. Another major effect of urban influx is the creation of the problem of unemployment. The poorest among the economically weaker section are the hardest hit community. With no regular means to live, they cannot think of renting or constructing a house. This results in the growth of slums and squatter colonies. All such eventualities must be kept in view while formulating/revising the town planning legislations.

Multiplicity of organisations for formulating various acts thus leading to problems in coordination and implementation, is also another additional hurdle for the town planning to achieve its desired objective. More emphasis is laid by all in the preparation of attractive plans but the same degree of stress is not seen in its implementation. Another major drawback in the town planning is the inadequate provision of acquisition and development of land for the full implementation of the plan. For the effective implementation of the plan, the public participation is wanting because of its lack of legal backing. Thus the cities and towns in India have grown in an unplanned manner resulting in a very high residential density of different categories of people taking advantage of the lack of effective legal controls over the use of urban land and also lack of conformity to the sub-standard and the planned use of the scarce

urban land. From the humanistic view of the problem it is very essential to provide a dwelling for these people nearer to their working place for livelihood. Thus an acceptable and reasonable man-land ratio has to be formed and this aspect has to be included as an important item of the town planning legislation.

Although housing has been one of the major items of town planning since its inception, sufficient importance and priority has not been accorded with the advancement of time. Town Planning, in the beginning of the century was effective in the proper and controlled growth of urban areas. But with the rapid urbanisation many urban problems of which housing is a major one, have cropped up. But town planning today has failed to contain these problems in view of its own deficiencies, as mentioned above. The main problem of urban housing is of housing the poor, who form more than 30 per cent of the population. This includes a good number of squatters and slum dwellers and other economically weaker sections of the community. But the problem is so huge that it requires an enormous sum of money in solving the same. Hence going in for low cost housing to house the economically weaker section of the (urban) community is imperative.

The initial step in the direction of solving the urban housing problem is the availability and use of land. It is observed that several large areas of urban land (both government and private) have been uneconomically used for locating institutions having big buildings with large compounds around. In addition, large chunks of land are owned by private individuals who have no commitment for its development with the infrastructural facilities. But now many of these areas have been unauthorisedly occupied by squatters and slum dwellers. In view of their reluctance and resistance to move out from such settlements, which is convenient from their work point of view, the government would be forced to regularise these colonies in course of time. This situation has arisen because in many urban areas proper town planning legislations either do not exist or are not being properly implemented.

The building bye-laws or the municipal bye-laws and town planning laws being complementary we may see how far the building bye-laws have been of help in solving the problem of housing the poor.

BUILDING BYELAWS AND HOUSING THE LOW INCOME GROUP

Any housing plan should conform to the building byelaws of the area. There are certain outmoded building byelaws, which do not cater to the increasing needs of the community. For vast peripheral rural areas around metropolitan cities and large towns (rural-urban continuum) there has been no proper town planning legislation or building byelaws to govern the planning and construction activities. This has resulted in

the simultaneous growth of regulated and haphazard construction activities. In course of time these peripheral constructions would be accommodated in the urban agglomeration which will post the problem of maintenance and provision of environmental facilities. The recognition and development of this rural-urban continuum would help in solving the problem to the city/town administrators, to a great extent. The municipal byelaws and town planning legislations which set the pattern of civic life within their jurisdiction, should be mostly complementary. But most of the municipal byelaws have been outdated. The National Building Code (NBC) which is expected to govern these municipal byelaws needs a revision and acceptance by all the states/union territories. But this is being postponed for various reasons. Although National Building Code was brought out in 1970, there is a resistance by the states to implement the same, because of their own inhibitions regarding this new guide. The building byelaws in various states also needs a revision. With the passing of the Urban Land (Ceiling and Regulations) Act, 1976, there has been a hope of socialisation of land which makes excess land available to the government for its activities to benefit the community particularly the economically weaker sections (EWS) of the community. Such radical measures for socialisation of land should be duly supported by complementary town planning legislations and building byelaws. The town planning legislations, however, could be implemented to some extent by the concerned implementing authorities. But as regards the building byelaws they are to be revised to be in tune with the present day urban land use for constructing dwellings particularly for the needy ones. The various building codes existing in the country should be unified. It was the result of such a need that the National Building Code came into existence in 1970.

NBC AND HOUSING THE EWS

In an attempt to socialise the urban land and to make it available the EWS of the society, a large scale programme of sites and services has been taken up in the metropolitan cities. On these small size plots varying from 25 to 30 sq. mtrs., the small families are expected to construct on their own a low cost structure through self help. To ensure proper quality of environment, further amenities are provided by the local authorities through suitable open spaces, community facilities, layout of housing colonies, provision of social services and even work centres and transport facilities, etc. The existing provisions of NBC precluded these types of settlements. In view of these, based on the recommendations of the Housing Ministers conference, the Indian Standards Institution was asked to include a supplementary section to cater to the housing requirement of the EWS of the community.

The NBO has fully seized of the problem and has initiated action to

assist the EWS of society (based on their income) in their housing problem. It has come forward with low cost housing schemes for the benefit of this group of people. The supplementary code, developed by the ISI provides for low cost housing in partial relaxation of the provisions of the NBC but keeping the safety aspects intact. The ISI has also envisaged the relaxation in planning of the housing colonies in terms of its density, size of plot, plinth area, minimum frontage, community open spaces as well as relaxation in general building requirements, such as size of rooms, WC and bath and kitchen, minimum heights, etc. This supplementary code is meant only for EWS. It is in this spirit that town planning legislations should be modified so as to include a mandatory provision for housing the EWS.

TOWN PLANNING LEGISLATION AND HOUSING THE EWS

India does not have a 'National Housing Act' like some of the advanced countries of the west. Hence the impact of the NBC may not be uniform throughout the country. It is, therefore, imperative that the NBC (with the supplement) principles are always kept uppermost in mind by all while revising any legislation or code or bylaw. Whereas city plans and town planning legislations have bestowed a great deal of attention to infrastructural facilities for the public in terms of transport network. Water, sewerage, drainage, open spaces, etc., there has been no corresponding emphasis on the need to follow the NBC, principles including the provision of low cost houses for the EWS. Unless the principle underlying the Urban Land (Ceiling and Regulations) Act, 1976, namely, the socialisation of land along with the corresponding emphasis of NBC with its provision of low cost houses to EWS, is scrupulously implemented, the respective objectives of construction of buildings and fostering city and town development may clash. A provision to this effect in the town planning legislations and municipal byelaws is essential.

SUGGESTIONS FOR HOUSING THE EWS

The following suggestions are made to mitigate the problem of housing the EWS and Low Income Group (LIG).

- (i) While formulating the town planning law or the municipal bylaw, care should be exercised to see that clear areas/plots are earmarked for the EWS and LIG housing and it should be ensured that this forms a part of the objective. Every effort should be made to attain this goal through the site allotting and house plan sanctioning authorities for construction. The proportion may vary according to the local condition/situation.
- (ii) It is advisable and necessary to see that the plan preparing and plan implementing authorities are the same. These bodies

should have permanent members from the authorities connected with housing like town/city Improvement Trusts, Municipality, Housing Board, Housing Corporations/Associations (Finance), etc.

- (iii) The local bodies should in cooperation with the housing authorities, draw up development plans for sites and services.
- (iv) There should be legal support/back-up for these acts so that the implementation would be mandatory on everyone's part. Otherwise the poor would be left as poor only, if not poorer.
- (v) The building byelaws, as promulgated by the local bodies or the Improvement Trusts or Housing Boards, etc., must be enforced scrupulously not only at the time of sanctioning the plan, but during and after the construction also. At the time of sanctioning the house plan, the authorities should check the type of site allotted (an EWS or LIG site or otherwise). Thus a good coordination between town planning and house building authorities is essential for this purpose.
- (vi) The authority supervising the implementation of these town planning and the municipal building byelaws should have the legal support to stop the illegal construction, not conforming to the specifications. It must also be ensured that this does not involve any long drawn legal battle.
- (vii) The Town Planning Act must have provision to acquire and develop sufficient land for all purposes specially for housing the EWS and LIG.
- (viii) Provisions may be made in the town planning/town improvement trust legislations or municipal byelaws so that no other plan nor any construction is made after the notification of land acquisition by the town planning authorities.
- (ix) The town planning should cover the peripheral areas in a comprehensive way (irrespective of their immediate development) so that at a future stage, there will be no need to go in for regularising the haphazard growth in these peripheral areas.
- (x) The old and the central areas of the city should be improved with facilities. Haphazard buildings and houses may be rearranged with minor modifications. Provision to this effect must be made in the town planning/municipal byelaws.
- (xi) Incentives for the construction of more and more low cost houses specially for the low income group and EWS, in the town planning legislations and municipal byelaws would go a long way in solving the humanistic problem of housing the poor in urban areas.
- (xii) It should be ensured that the entire country without any excep-

tion accepts the NBC with its supplementary code and the model Town Planning Act and adopts the above suggestions for this purpose, constitutional provision, if need be, should also be made. □

Revision of Town Planning Rules, Development Control Rules and Building Byelaws of Local Bodies

D. AJITHA SIMHA

AND

V. SURESH

DEVELOPMENT ACTIVITY within the jurisdiction of cities and towns is regulated by town planning rules, development control rules, planning standards and building byelaws of either the town planning department, development authorities, municipal corporations, municipalities, improvement trusts or other local bodies.

These regulations are formulated under any of the following Acts:

- (i) State Town Planning Acts,
- (ii) State Development Authorities Act,
- (iii) City Municipal Corporations Act, and
- (iv) State (City/Town) Municipalities Act.

Since these documents are formulated at different points of time there has not been a conscious effort to get these documents modernised, rationalised and unified on a common footing. It is also noted that there are large number of provisions of the different Acts which control the urban development activity within a city or town which have contradictory provisions. Therefore, the rules or regulations under these Acts also do have provisions which are inconsistent with the other rules.

After the formulation of the National Building Code of India by the Indian Standards Institution, which is a guiding document for all the local bodies to modify the existing rules concerning urban development, ISI had assisted the various state local bodies in arriving at new sets of town planning rules, development control rules and building byelaws in a coordinated fashion.

Based on the examination of all these rules it has been noted that

the provisions of the town planning rules, development control rules and building bye laws to be operated for the development of cities or towns contained many provisions which are contradictory and non-uniform. As a matter of fact, the revision work of the building byelaws of some of the local bodies could not be taken up in view of the differing provisions in the development plan and the development control rules which are formulated by the state governments. The way in which some of these issues have taken into account in the revision work are highlighted.

OPERATION OF THE VARIOUS RULES

Town Planning Rules and Development Control Rules

In the context of development of large number of cities and towns in our country, it is noted that most of these have grown without any definite master plan or development plan and efforts have been made only in the last two to three decades to ensure orderly development of the fringe areas on sound town planning basis. Therefore most of the cities and towns have a core sector or *Gaothan Area*. The above operation involves the following:

- (i) Laying out of a city into different land use zones.
- (ii) Deciding about the permitted and prohibited occupancy use in various land use zones with limits on area, nature of operations, persons to be employed, power to be consumed, etc.
- (iii) The norms for subdivision of land parcels into roads, streets, plots, community open spaces for parks, playgrounds, amenities like shopping centre, schools at nursery, primary, higher secondary and other levels, hospitals, post offices, police stations, entertainment spaces, etc.

Quite often it is noted that information on the above items have not been covered in a detailed fashion for use by all agencies controlling the growth of cities and towns. The rules for the same would have to be formulated under the Town Planning Act or Development Authority Act. Therefore, it is felt that the town planning rules and development control rules or planning standards should be the starting point for controlling the urban development activity in cities and towns.

Building Byelaws

Once plots are laid out in any colony or any land layout, the next operation involve the construction of buildings within the plots for residential, educational, assembly, office, industrial, storage, hospital, hazardous uses, etc. All the regulations related to the planning, design and construction of buildings within an individual plot should come

under the provisions of the buildings byelaws. The information contained in the building byelaws related to the bulk of the building and spaces for various areas would have to be related with respect to the norms adopted in the preparation of development plan or as reflected in the development control rules. For example, the density envisaged in the development plan based on which all requirements of roads, services like water supply, drainage, etc., and needs of amenities have been laid out should have a relation with the floor area ratio and the area and height limitations that are included in the byelaws. More often than not, such a coordinated exercise has been lacking. Further, the implementation of the building byelaws might be in the hands of the local body, namely, the corporation or municipality whereas the implementation of the master plan and development plan would be looked after by the town planning department directly or by the development authorities or improvement trusts as the case may be. The duplication of the authority for ensuring urban development within a city or town is again another matter which is to be considered. For any person who is interested in the construction of a building, it is now necessary to get the planning permit or development permit from the planning authority or development authority regarding clearances on the various points mentioned earlier and has to obtain a building permit from the corporation or municipality. There is a scope to streamline both these procedures for arriving at a mechanism by which these clearances could be vested in a common authority, failing which procedures should be simplified and coordination established.

SALIENT ASPECTS OF THE CONTENTS OF THE NEW SETS OF RULES

Administrative Provisions

Since provisions related to the administrative provisions are covered in the various Acts, it is necessary to evolve detailed rules for day-to-day operation of building and urban development control. During the revision work it has been noted that the following points require immediate consideration from the point of view of making uniform amendments in the various related Acts applicable for city or town as the case may be:

- (i) The time period within which an application for building permit or development should be cleared by development authority/local body should be spelt out on a common footing. The Town Planning Act/Development Authority Act might have a provision for the clearance of a scheme within 60 days, whereas the Municipal Corporation Act for the same city might have a provision for clearance of a scheme within 30 days;
- (ii) The duration of sanction once it is accorded should again be

spelt out without any ambiguity. The total period for which a sanction is valid has been spelt out differently in various Acts. Unless the provisions in these Acts are modified it is not possible to effect any change in the detailed rules framed under the same.

- (iii) There are large number of technical definitions related to urban development and more so for building construction activity in the various Municipal Corporations and Municipalities Acts which are not technically sound. Since these Acts have been brought out many years ago it is quite possible that the various terms defined had not received the attention it deserves. It is therefore, necessary to have many of these definitions modified suitably based on the provisions of the new set of building byelaws and development control rules. It is also noted that the same term has different definitions in the Town Planning Acts and the Municipal Corporation Acts.
- (iv) As an administrative clearance the constitution of the board of appeals for looking into appeals in case of rejection of schemes by local bodies would again have to be considered from the objective point of view. This is one of the hurdles in the implementation of either the master plan provisions or the building byelaws.
- (v) Provisions under the Act for violations and unauthorised constructions should be spelt out more clearly and lesser importance should be given to the concept of compounding of gross violations of land and building development work.

Land Development and Building Requirements

While the town planning rules and development control rules provide for the possible width of roads depending upon the length catered to as well as the location of the same in land use zones, it should be noted that the possible taking over of the same by the local body at a future date based on the initial development by a coloniser or organised society would have to be kept in view. Here again, there are different provisions in the Town planning Act and Corporation Act.

Further, the norms adopted for the land use classification of the various occupancies to be permitted or prohibited should be brought on a unified basis. This is very necessary to ensure organised growth within the cities and towns. Some of the Acts do contain technical provisions on these issues and therefore these should be removed so that the rules framed under the same could cater to the technological needs.

Another major area which require consideration is the inter-relationship between the provisions of the development control rules or town planning rules and the building byelaws. As highlighted earlier, it has

been noted, in many cases, that the provisions of the master plan and the rules framed under the same do not have any bearing with respect to the existing provisions of the building byelaws. Some of the important points are highlighted below:

- (i) The nature of development depending upon the width of road and ribbon development regulation are mostly not reflected in the building byelaws. After sufficient damage is done on any road, these aspects are noted and for future construction, new setback lines are insisted. It is necessary that the setback lines envisaged in the development plan should be also reflected in the building byelaws of local bodies along with the front open spaces provisions given for plots facing different roads.
- (ii) Under the subdivision rules it is noted that quite often the owners are able to subdivide a plot by directly registering with the revenue authorities. The provisions of the development control rules would not be of any relevance when the properties are already divided and the individual owners later on come to the local body for a building permission. It is, therefore, necessary that before such subdivisions are entertained by the revenue authorities it should be ensured that the subdivision leads to viable plots.
- (iii) The master plan takes into account the broader planning aspects, namely, the extent of residential settlement coming within the area and this is regulated by controlling the density either in terms of tenements or dwelling units per acre (hectare) or by the population to be permitted per hectare. Based on the expectant population within the area, the requirements of roads (from traffic point of view), water supply lines, drainage lines, and other amenities are planned and executed before the building development activities are permitted in individual plots in layout. However, the building byelaws contain provision for the extent of building work to be permitted on any plot in terms of control over horizontal areas and vertical limitations. These are either spelt out in terms of percentage covered area and the maximum number of storeys to be permitted or through FAR or FSI. It is very necessary to ensure that FAR and FSI spelt out in the building byelaws are related to the densities envisaged in the master plan. It is seen that quite often this has not been done and unrelated FAR values are spelt out in the byelaws which do not have any bearing on the densities. Further, the way in which FARs are changed for various localities depending upon the whims of officials again brings to light a wrong approach in the same. Large scale development of

multi-storeyed buildings come up in different parts of cities suddenly without adequate service being revamped.

- (iv) The provisions of parking required within the building and within the locality could be considered in the right perspective only if the provisions of development plan through development control rules and building byelaws are taken up simultaneously. Quite often the exercise for parking spaces are initiated only within the plots and community parking or pooled parking within the locality is not envisaged.
- (v) The lack of amenities or facilities within a developed area often results in make-shift arrangements made for facilities like nursery schools, primary schools and even higher secondary schools. Since, these are not provided for in any development plan or in development control rules, it becomes, necessary for the people implementing the building byelaws to permit relaxed requirements for educational buildings in residences. We have many cases of such residences being converted into schools and thus the detailed requirements for educational buildings in the building byelaws never see the light of the day.

Organisational Aspects

As broadly identified earlier there are different agencies dealing with the implementation of either development control rules or building byelaws within the jurisdiction of the city or town. This dual authority quite often results in implementation of the provisions not in a coordinated manner. As a first stage, it is necessary to ensure that the total urban development activities along with building control operations should be vested in one organisation instead of making the owner run from one agency to an other. Even though, such clear-cut decisions are not there for the different cities of India, it has been recently noted that in U.P. where the development authority and municipal corporation do exist, the development authority takes care of the implementation of development control rules, town planning rules as well as the building byelaws. To that extent the municipal corporation would only look after the other services required, namely, roads, water supply, drainage, fire services, etc.

In addition, as an organisational aspect, it is also necessary to have competent architects, engineers, town planners and other officials to implement the provisions of the comprehensive development control rules and building byelaws. It is often seen that while certain minimum qualifications are insisted for the architects, engineers and town planners who prepare the land development schemes and building proposals, the same are scrutinised by (either in the development authority or in the local body) personnel having either very meagre technical competence or no competence at all. Therefore, for proper implementation of the

various provisions of the Acts and the rules framed under, it is necessary to ensure the availability of competent personnel within the local bodies.

Another organisational aspect that has been brought out is the clearance required from various authorities for authorising building schemes. Take the case of cinema buildings. The Cinematograph Rules are framed under the Cinematograph Act and they are operated by the police or home department officials. However, any person putting up the proposal for a cinema building would require clearance from the police (traffic point of view), local body (from building point of view) town planning department or development authority, (from site location point of view), fire brigade (from fire protection point of view) etc. Similar problems are faced for factory buildings wherein additional clearance would be required from inspectorate of factories, lift inspectorate, pollution authorities, civil aviation authority in certain cases regarding the height of tower, etc. It would be ideal if one agency receives sufficient number of copies of the plans and in turn a mechanism is devised so that simultaneously clearances are obtained from all other agencies. A streamlined procedure for this could definitely be devised for the benefit of the persons putting up different proposals.

CONCLUSION

It would, therefore, be seen that along with the formulation of the new sets of town planning rules, development control rules and building byelaws for various agencies, it is also necessary to simultaneously tie Authorities Act or Municipal Corporations Act or Municipalities Act. Simultaneously efforts should be made to ensure coordination among the various authorities who are dealing with the implementation of the different sets of rules. Thirdly, there is a need to improve the set-up in the local bodies and authorities by having personnel with sufficient technical competence to implement the provisions of these Acts and relevant rules dealing with urban development activity. □

Regional and Town Planning Legislation in Punjab

JAGJIT SINGH GHUMAN

PUNJAB STATE covers a total area of 50,000,362.00 sq.km. out of which 691.9 sq. km., 1.4 per cents is urban. The total population of Punjab is 13,551,060 (1971 census) out of which 3,216,179 persons (23.73%) are in urban settlements. The national and state average urban population growth rate is the same, viz., 2.5 per cent per annum. The 1971 census identifies 108 urban settlements (96 small and medium size towns and cities in population range 5,000 persons and above) and 12,188 rural settlements. In the urban sector, 38 (39.59%) of the cities and towns are growing and 58 (60.41%) are either stagnant or declining. The populationwise break-up of the growing, stagnant and declining cities and towns in Punjab is given below:

| <i>Population size</i> | <i>Total</i> | <i>Growing</i> | <i>Stagnant</i> | <i>Declining</i> |
|------------------------|--------------|----------------|-----------------|------------------|
| 100,000 and above | 4 | 2 | — | 2 |
| 50,000—10,000 | 8 | 6 | 1 | 1 |
| 20,000—50,000 | 22 | 10 | — | 12 |
| 5,000—20,000 | 62 | 20 | 23 | 19 |
| TOTAL | 96 | 38 | 24 | 34 |

The major problems of the 38 growing urban centres in the state is attributed to heavy influx and migration of rural population to the urban centres, resulting in uncontrolled haphazard growth, traffic congestion, nonconforming land uses, excessive strain on urban utilities, services and facilities, sub-standard and unhygienic buildings, housing shortage resulting in environmental deterioration. The predominant reasons for the large number of stagnant and declining urban centres in Punjab, viz. 58 (60.41%) small and medium size towns and cities is attributed to the following:

- (a) Absence of a settlement structure for redistribution of popula-

tion for a balanced socio-economic and physical development of the urban and rural areas.

- (b) Weak economic base of the urban areas requiring balanced dispersal of economic activities in the urban and rural areas.
- (c) Inadequate urban infrastructure, public amenities and services in the urban and rural areas.

THE PROBLEM

Punjab like any other state in the country is faced with uncontrolled and haphazard growth of cities and towns and unauthorised substandard building activity in the urban and rural areas and along the highways, etc. This has led to slummy and unhealthy environments, lacking in basic services and amenities, viz., metalled roads, water supply, sewerage and drainage, street lighting, public parks and landscaping, schools, health centres and other community buildings and facilities. In the urban sector the problem is heightened with private colonisers, individual owners and speculators in land, making profits by sporadic conversion of agricultural lands and creation of residential colonies without services and amenities. Lands in the periphery of the cities and towns excavated by brick-kilns 8' to 10' deep are divided into plots and undeveloped sites sold on profit for residential and other purposes. Slums developed in such low lying areas are subjected to flooding in the rainy season. In the absence of proper drainage and treatment the sullage from industrial plants and residential units, etc., contaminate the sub-soil water used for drinking purposes, thus causing diseases and health hazards.

FINANCING URBAN DEVELOPMENT

The total financial requirements for controlling haphazard growth, future development and improvement of our cities and towns works out into hundreds of crores of rupees. No state government or local agency have the resources for meeting this enormous expenditure unless urban planning and development is made self-financing. The entire cost of development and provision of basic services and amenities should be made charge on the plots and should not be a burden on the public authorities. Public authorities should resort to planned conversion of land use for residential, commercial, industrial and other purposes so as to improve their financial resources.

The sum of the problem is to regulate and control the development of land and the preparation of self-financing integrated development projects both in the urban and rural sectors. An Environmental Research, Planning and Design Organisation has been set up in the Punjab State Town and Country Planning Department. Integrated Urban Development Programmes for selected cities, viz., Amritsar, Jullundur and

Ludhiana have been prepared and are under execution with the state agencies. In the rural sector the state government has launched an integrated rural development programme and have selected 585 villages, 5 each in the 117 community development blocks. However, the best concerned plans and programmes have little chance of being implemented successfully unless the state government invests itself with adequate legal authority to undertake integrated development both in the urban and rural sectors. A bold step has still to be taken by the state government in evolving and enacting suitable legislation through which the state government could tackle problems of unbalanced growth and development of settlements, environmental pollution, etc.

EXISTING LEGISLATIONS

Punjab does not have a comprehensive law on town planning and development authorities. Legislation for control and provision of civic amenities in the cities and towns in Punjab was first introduced in 1911. Fresh legislation for setting up municipal corporations in the class I cities in Punjab for making available civic amenities and urban infrastructure was introduced in 1976. Legislation for development of new areas in and around the selected cities and towns was first introduced in 1922. Specific laws were introduced after independence for planning and development of a new capital for Punjab and controlling the peripheries of the new townships at Nangal and Talwara. The legislations enacted for the development of Chandigarh and controlling the peripheries of the new townships are listed below:

1. The Capital of Punjab (Development and Regulation) Act, 1952.
2. The Punjab New Capital (Periphery) Control Act, 1952.
3. The Punjab Nagal Township (Periphery) Control Act, 1958.
4. The Punjab Talwara Township (Periphery) Control Act, 1961.

Legislation for the development of the damaged areas on account of riots and natural calamities was introduced in Punjab in 1952. Legislation for the improvement of the city's environments, *i.e.*, slum areas within the urban limits was introduced in 1961 and regulatory law for restriction of unregulated development of areas outside the urban limits was introduced in 1963. Legislation for development of new areas to meet the requirements of developed sites for residential, commercial, industrial and other purposes was introduced in 1964. Specific law for meeting the housing requirements was introduced in 1972. A series of legislations regulating colonies, ceiling on urban lands, development or urban infrastructure and control of water pollution were introduced in 1975 and 1976. A list of legislations for civic control, development

and regulation of areas both within and outside the urban limits is given below:

I. Civil Laws

1. The Punjab Municipal Act, 1911.
2. The Punjab Municipal Corporation Act, 1976.

II. Development Laws

1. The Punjab Town Improvement Act, 1922.
2. The Punjab Development of Damaged Areas Act, 1951.
3. The Punjab Slum Areas (Improvement and Clearance) Act, 1961.
4. The Punjab Urban Estates (Development and Regulation) Act, 1964.
5. The Punjab Housing Development Board Act, 1972.
6. The Punjab Water Supply and Sewerage Act, 1976.

III. Regulatory & Ceiling Laws

1. The Punjab Scheduled Roads and Controlled Areas (Restriction of Unregulated Development) Act, 1963.
2. The Punjab Regulation of Colonies Act, 1975.
3. The Punjab State Board for the Prevention and Control of Water Pollution Act, 1976.
4. The Urban Land Ceiling Act, 1976.

COMPREHENSIVE LEGISLATION ON REGIONAL AND TOWN PLANNING

Piecemeal efforts made from time to time in legislation have not controlled growth and development of the urban and rural settlements in the state. Moreover, the existing legislations do not cover the requirements of a comprehensive approach for a balanced spatial distribution of the human settlements and optimum utilisation of the land resources for different uses. The preparation of a comprehensive legislation on regional and town planning in Punjab was taken up afresh in October, 1973. The Regional and Town Planning ordinance issued in May, 1976 has since lapsed. The question of issue of a fresh ordinance on regional and Town Planning to give statutory backing to the development plans for the physical planning regions in the rural sector and master plans for the urban settlements is under the consideration of the government. The proposed legislation on regional and town planning provides for setting up of a board for physical planning at the state level, preparation and enforcement of development plans for the physical planning regions and master plans for the cities and towns in the state. The proposed legislation also provides for setting up of planning and development authorities

for the major cities, viz., Amritsar, Jullundur, Ludhiana and Patiala so as to effectively coordinate, supervise and finance the various development projects and also execute them wherever necessary. The proposed legislation contains suitable provisions, enabling:

- (a) the setting up of appropriate body at the state level for formulating comprehensive state policy for integrated regional and urban planning and development;
- (b) preparation and enforcement of physical development plans for the state, regional and community development block levels for spatial distribution of human settlements and optimum utilisation of the land resources.
- (c) the setting up of high powered 'Planning and Development Authorities' at the local level, to:
 - (i) Prepare and enforce the development plans for the cities/towns and the surrounding urbanisable area, highways as a whole and detailed schemes for various areas in the town in accordance with the provisions of the development plan and the regional plan;
 - (ii) regulate the use and development of land and to enforce the various other provisions at the local level;
- (d) the imposition of suitable penalties (including fine and imprisonment) in case of violation of the provisions of the legislation;
- (e) making urban development self-financing over a period of time in accordance with the principles of social justice and to orient the entire system to benefit the commonman;
- (f) modifications of the Land Acquisition Act, 1894 for acquisition of land directly by the planning and development authorities.



Legislations Relating to Town Planning and Development Authorities in Uttar Pradesh

A.S. ANSARI

ACCORDING TO the 1971 census, 1.24 crores or 14 per cent of the total population of the state of Uttar Pradesh resided in urban areas as against 12.9 per cent in the 1961 census. The increase in urban population during the decade was 30.7 per cent as against 18.2 per cent increase in rural population. The population of cities increased by 25.4 per cent. The highest increase was recorded by Ghaziabad, 88.06 per cent and the lowest by Mirzapur, 5.84 per cent.

The rate of increase in urban population has been much faster than the increase in rural population. This is due to greater migration of people from rural to urban areas. There has been a steady increase in the urban population and the rate of increase in urban population has also been more in proportion to the rate of increase in total population. The urban growth gained momentum during the decade 1961-71. In view of the rapid pace of urbanisation and haphazard urban growth resulting in congestion, slums, squatting and misuse of land, planned intervention has become imperative.

LEGISLATIVE FRAMEWORK

The idea of local self-government in this state was first mooted in the year 1842 when Act X of 1842 was enforced in Mussoorie and Nainital, where municipal committees were formed to administer the local services efficiently. Later on Act VI of 1868 was passed to regulate the activities of the municipal committees. The main purpose of constituting the municipal committee was the promotion of better sanitation in the towns. Some of the later enactments were the U.P. Water Works Act, 1899, the U.P. Sewerage and Drainage Act, 1894 and the U.P. Municipalities Act, 1900. The U.P. Town Areas Act, 1914 introduced a new unit of local self-government in semi-rural localities. With a view to consolidate and re-enact all the laws relating to the municipalities and to bring harmony in their provisions, the U.P. Municipalities Act, 1916 was

enacted under section 81 of the Government of India Act, 1915. This Act is still in operation although material amendments have been made from time to time. This Act also empowered the state government to declare any area to be a notified area. The main function of these local bodies were street lighting, conservancy and sanitation, maintenance of roads and the like, besides these local bodies were also empowered to accord sanction for construction of new building and reconstructions or making material alterations in the existing buildings. This provision was found insufficient for the planned development of the towns. In the five kaval towns, viz., Kanpur, Agra, Varanasi, Allahabad, Lucknow and Gaziabad, the problem of urban agglomeration was found increasing day by day. Hence, it was considered necessary to enact separate laws to control the building activities and other development of these towns. The problem in the industrial town of Kanpur was more acute and as such in Kanpur a Development Board was established whereas in other towns mentioned above improvement Trust Act was enforced.

In 1959, state legislature passed the U.P. Nagar Palika Adhiniyam to provide for the establishment of five Nagar Mahapalikas in the five kaval towns, with a view to ensure better municipal administration and planned development of the towns. With the establishment of the Nagar Mahapalika in these towns, the four improvement trusts in Lucknow, Agra, Allahabad and Varanasi and the Development Board, Kanpur were merged in their Nagar Mahapalikas. Later, the state government felt the need for proper planning and control in several other developping towns of the state. The urban concentration was found increasing in Meerut, Bareilly, Gorakhpur and other cities. The local bodies were found incapable of solving the problem of urban agglomeration in spite of their best efforts. Therefore, the state government passed the U.P. Urban Planning and Development Act, 1973 which was introduced in 11 towns of this state, viz., Kanpur, Agra, Benaras, Allahabad, Lucknow, Gorakhpur, Rae-Bareli, Bareilly, Varanasi, Ghaziabad and Mathura. This Act envisages the planned development of these towns. According to the provisions of this Act, each development authority is required to prepare a master plan of its town. In addition to the master plan of the town, regional development plans are also to be prepared. These master plan are to be sanctioned by the state governments. At present the developmental activities in these towns are governed and executed under this Act.

The main handicap to regulate the construction of buildings in a planned manner in the towns was the concentration of urban land in the hands of a few persons, who were reluctant to part with their extra land. To overcome this difficulty with a view to bring about an equitable distribution of land in urban agglomeration to subserve the common good, the Government of India passed the Urban Land (Ceiling and Regulation)

Act, 1976. This Act has been introduced in the following twelve cities of this state:

1. Allahabad; 2. Kanpur; 3. Varanasi; 4. Lucknow; 5. Agra;
6. Saharanpur; 7. Moradabad; 8. Bareilly; 9. Gorakhpur; 10. Meerut,
11. Aligarh; and 12. Dehradun

The vacant land acquired under this Act shall be disposed off by the state government to any person for any purpose relating to, or in connection with any industry or for providing residential accommodation of such type as may be approved by the state government to the employees of any industry.

It will be seen from the details mentioned above that for the planned development of the towns various Acts have been legislated and they are independent of each other. Much confusion and dislocation is caused in urban development due to various agencies undertaking different aspects of developmental activities working in isolation. In order to co-ordinate the working of these agencies according to the requirement of the specific area, it is imperative that there should be a centralised agency to ensure control, supervision and coherence of the work. The Commissioner and Director, Local Bodies who is also the Director of Urban Land Ceiling, will be the most appropriate authority to be declared as such under the Act. The various agencies engaged in urban development should be under his direct control and he should be fully equipped with adequate powers to exercise effective control and supervision on these agencies. Power to sanction master plan and to make amendments, if any, should be given to this authority instead of the government which exercises this power at present. This will alienate the delay to a great extent. It may be mentioned incidentally that the master plans of several towns mentioned above have either not been sanctioned by the competent authority or have not been prepared as yet although U.P. Urban Planning and Development Act was introduced as far back as in 1973, and the Urban Land (Ceiling and Regulation) Act, was passed in 1976.

MULTIPLICITY OF LEGISLATION AND PROBLEM OF COORDINATION

As mentioned in the proceeding paragraph there are various legislations relating to the urban development of different categories of towns in the state and different agencies for their implementation without any coordinating authority to control and supervise their activities. These legislations were enacted previously to meet the specific requirement of a particular situation but now the situation has changed. Problem of urban agglomeration is almost the same in all the towns and the local bodies due to their poor financial condition are not capable of solving

these problems effectively. It is, therefore, suggested that uniform legislation should be enacted for all the towns, and the Commissioner and Director, Local Bodies should be made the coordinating authority. This will facilitate the smooth running of the various development authorities and speed up development of these towns.

The financial aspect of these development authorities should also not be ignored. The local bodies which have so far been concerned with the development of the towns have not been able to achieve the desired result mainly because of their lack of resources. The tax powers of the local bodies and the state are not demarcated by the Constitution. The local bodies in fact derive their powers under the state laws. In the absence of such demarcation, the states often show reluctance to entirely surrender any of their important tax powers to the local bodies. Their contention is that they can ill-afford to leave any valuable source of tax untouched in view of the pressing requirements of the five year plans. This handicap needs to be removed and, therefore, it is suggested that an amendment in the Constitution should be made so as to demarcate the taxation powers of the development authorities. The taxation powers should be given in such a way that the development authorities do not feel any handicap with regard to the financial resources.

PREPARATION AND IMPLEMENTATION OF PLAN : PUBLIC PARTICIPATION

It hardly needs any emphasis that the implementation of the plan is as important as the preparation of the plan itself. Many plan schemes have failed because their implementation has not been given due importance. Proper and successful implementation of the plan depends on the efficient executive machinery. The executive will be efficient only where there are provisions for their proper control and adequate action to be taken against them for their lapses. Provision should, therefore, be included in the legislation itself for taking action against the delinquent and inefficient officials.

Public cooperation in the proper and successful implementation of the plan is also essential. Public cooperation can be obtained only when the plans are prepared with the cooperation of the public effected by the plan. Provision should, therefore, be made in the legislation to obtain public cooperation as obligatory. The number of non official members in the development authorities should not be less than half of the total number. All these non official members should be elected. □

Book Reviews

Control of Urban Building Activity, Edited by D.D. MALHOTRA, Indian Institute of Public Administration, New Delhi, 1980, pp. xiii+243, Rs. 80.00.

The Centre for Urban Studies of the Indian Institute of Public Administration held a seminar on "Control of Urban Building Activity" in March, 1978. The papers contributed to the seminar have been compiled in an anthology called "Control of Urban Building Activity" in September, 1980. A delay of 2½ years in the compilation and publication of these papers can be considered fatal to the usefulness of the seminar.

The anthology commences with four extremely useful papers. The key-note address of J.B. D'Souza, in the inimitable style of D'Souza, gives a perspective and a direction to the deliberations in the seminar. In effect what D'Souza told the participants is that the present approach both to development planning and to control takes into account only that marginal fringe of the population which dwells in pucca houses in developed areas of a city. The large part of the population which lives in the already built up areas or in squatter colonies falls outside the scope of development control. D'Souza's suggestion is that development controls should be designed in a manner such that city expansion by squatters takes place in an orderly manner. Building regulations should take into account that much of our housing will be self-built out of materials which are ephemeral in nature.

An equally useful article has been contributed by G.B.K. Rao, in which he highlights the principal issues in determining development controls. An interesting fact which emerges is that so far use of land is concerned, old, built-up areas which are not unduly distributed compare quite favourably with modern layouts.

The introductory paper of D.D. Malhotra is also useful in that it questions the efficacy of development plans, master plans and zonal plans. One wishes that the editing of this paper had been better and the omission of the definite and indefinite articles and propositions had been avoided. One would like to question Malhotra's thesis that development controls should also be utilised for prescribing ceilings in order to reduce socio-economic discrepancies and stratification. Development

controls at best can have a negative aspect. Positive socio-political decisions have to be enforced by a different set of laws. The introduction to the seminar deliberations is in fact a summary of the papers and is useful.

C.S. Chandrasekhara has an interesting theory to offer about development controls in built-up areas. He recognises that the existing tools regarding zoning, FAR, etc., would be ineffective in a walled city and, therefore, he suggests that determination of the use pattern should be the starting point for applying development controls. The circulation pattern should be based on the use determined. Necessary amenities should be extended to the built-up areas and the controls should aim at facilitating the achievement of the required level of movement and convenience.

Anas and Siddique as also Afzal Mohammad have given interesting analyses on the position of the walled cities of Delhi and Hyderabad. These papers, read with Chandrasekhara's contribution, would be of great use in the development of a control system for old cities.

One is a little surprised that H.U. Bijlani has put great faith in the traditional instruments of zoning regulations, sub-division regulations and building codes as an instrument of ensuring a proper city environment. He does state that these should be aimed at providing for the poor. However, the fact seems to be lost sight of that zoning regulations ultimately act as a means of keeping the poor out of the better parts of the city rather than in providing for better amenities for them. By and large the other articles written by G.C. Mathur, C. Mozumdar, S.D. Syiem, K.T. Poulse, M.K. Balachandran, B.B. Garg, Gurpratap S. ngh, etc., are narratives of problems as they exist in particular areas. The article of M.S. Mehta, however, comes up with an interesting suggestion that architects should be trusted to construct buildings within the provisions of the master plan and zonal plan, with the sanctioning authority coming into the picture only at the time of issue of completion certificate. The suggestion bears consideration.

One cannot escape an impression that the seminar was somewhat loosely conducted. The theme of the seminar was control of building activity, not the entire gamut of urban planning. Many of the papers talk of overall urban planning as a means to bringing about control of building activity in a city. The underlying hypothesis is that without a much wider settlement policy development controls are not enough. That could be the theme of another seminar. The scope of the present one was much narrower. The present seminar should in fact have come up with concrete suggestions about the evolution of building codes which would permit even a jhuggi dweller to construct an acceptable jhuggi in a city environment. This question has been wholly skirted. There are platitudes but no specific recommendations. Incidentally, the

National Building Code is not a good instrument despite what Shri Bijlani states about it. The Code is obscure and technical in language and quite incapable of interpretation by the average layman, leave alone an illiterate jhuggi dweller. At city level what we need are codes which even the semi-literate can understand.

One hopes that the Centre for Urban Studies will take up the evolution of development controls which will treat city space as a medium to be used and re-used and re-cycled as the city grows. In other words, from the planning of buildings we move into an area of planning of space. Even if the structures which occupy the space at a given point of time appear unaesthetic, the kinetic view of the city would remain pleasing. That would be planning which has relevance to the conditions in India.

M.N. BUCH

Organizing Metropolitan Development, ABHIJIT DATTA AND BAPPADITYA CHAKRAVARTY, Indian Institute of Public Administration, New Delhi, pp. x+151, 1981, Rs. 70.00.

Urban management in India has passed through many phases, especially in the matter of management of urban development. Following the example of the Delhi Development Authority a whole new genus of development authorities was created in the 1970s. These authorities have not been confined to the metropolitan areas alone; in fact state governments have considered this new type of organisation a panacea for the ills of urban development at all levels of urban human settlement. The results have not only fallen far short of what has been idealised, but in addition the development authorities themselves have weakened the fabric of urban management rather than strengthened it. An empirical study in depth of the role and effectiveness of development authorities and their administrative, financial, planning and political relationships with existing local bodies was long overdue. The study made by Datta and Chakravarty, though confined to metropolitan areas only, has been most timely.

There are two principal hypotheses on which the creation of development authorities has been based in India: (a) that such authorities bring about an increase of metropolitan activities, with the development authority acting as the apex, coordinating organisation; (b) that metropolitan authorities, by some inherent magic, bring about mobilisation of resources denied to the existing local bodies. The present study, by focussing attention on the four aspects of institutional framework, the apex role of

the metropolitan authorities, the effectiveness of the authorities in fulfilling their role and the mobilisation of resources by the authorities, has in fact brought the two basic hypotheses under critical scrutiny. The effort is worthy of praise.

The authors have specifically confined the study to Delhi, Bombay, Calcutta and Madras. What is most pleasing about their report is that in every aspect of the study there is a comparative evaluation of the role of each of the four metropolitan authorities, so that a comparison of the effectiveness of each is readily available to the reader. What is even more pleasing is that, on the basis of the evidence collected, the authors have made definite value judgements about the functioning of the four authorities. This is a most refreshing change from the average academic study where the author hedges the issue of judgement and evaluation and loses himself in obfuscation. Thus, in the case of DDA, the authors conclude that, as a creature of government, DDA has continuously reacted to the moods of government rather than the needs of the environment at large. Because the resources of DDA are controlled and conditioned by government, the role of the DDA itself gets restricted to the resources made available. Thus, as an organisation for serving the environment, understanding its needs and in fact moulding it, DDA is unequal to the task.

In the case of the Calcutta Metropolitan Development Authority there is rivalry between the state PWD and CMDA and CMDA and the various local bodies functioning within the metropolitan district. This has given rise to a neurosis in relation to overall environment, which is likely to isolate CMDA in the future. In the case of the Madras Metropolitan Development Authority the extent of government control is such that till government extends legitimacy to the task of planning, coordination and finance, MMDA cannot perform an autonomous role. This seems to be a major weakness of the authority. The weakest agency, however, is the Bombay Metropolitan Region Development Authority. The other agencies, such as the Bombay Municipal Corporation, the State Government etc., are so powerful that BMRDA is virtually reduced to performing, agency functions in those areas where it is permitted to act. It is at best an authority which functions by grace and not by inherent power.

The authors have concluded that even in the coordinating role the four authorities not been very successful as they function in an atmosphere of tension and clash with existing institutions. Judged from the angle of sharing of functions, control as an apex organisation, and a powerful defensive role of somehow trying to break into the existing pattern of urban management, none of the development authorities seems to be really effective. In the matter of resources the report is even more revealing. In the case of DDA the lack of independent

financial resources has led to a freezing of land and inadequate development for want of funds. This has forced the authority to forget the social aspect of utilisation of land as a resource and has driven it to auctioning of land at high prices. DDA, therefore, has reverted to the role of a real estate developer. In the case of CMDA the financial plans of the authority are integrated with the State plan and, therefore, while having more financial discipline than DDA, the authority acts more as a channeliser of funds than as a generator of resources. In the case of Madras, the development authority has such a peripheral role to play in the matter of resource mobilisation that it can almost be ignored. In the case of Bombay, the development authority is really only a channel for making available institutional finance to the existing organisations and, therefore, at best it has a monitoring role.

Taken on the whole the hypothesis that the development authorities can mobilise additional resources does not bear scrutiny.

In conclusion the authors feel that the metropolitan authorities have depoliticised development, thus removing that vital element of public participation so necessary for proper city growth. On the other hand they have weakened existing government at local levels by encroaching on its jurisdiction. The development authorities have not really generated any specific additional resources because they are dependent on the state government for finances. They, therefore, do not really enjoy financial autonomy. Nor is there any administrative autonomy because in effect they function as bureaucratic organs of the State. Specifically, what is needed is an effort by the State governments to decentralise political and administrative power at the local level, bring local government into the development picture and ensure that the present institutional bankruptcy of local government is remedied. The authors feel that it is only then that proper metropolitan development would become possible. The study of Datta and Chakravarty, by defining its own goals, collecting precisely that evidence which was necessary for the study of each objective, and not hesitating to arrive at definite value judgements and conclusions can easily be considered to be of outstanding quality. This study should be mandatory reading for all those involved with urban development.

—M.N. BUCH

ALPHABETICAL LIST OF LEGISLATIONS DEALING WITH TOWN PLANNING/DEVELOPMENT ACTIVITIES*

Compiled by

M.K. BALACHANDRAN†

| <i>Sl. No.</i> | <i>Name of the Act</i> | <i>Year of Enactment</i> |
|----------------|--|--------------------------|
| (1) | (2) | (3) |
| 1. | The Andhra Pradesh (Andhra Area) Town Planning Act | 1920 |
| 2. | The Andhra Pradesh Gram Panchayats Act | 1964 |
| 3. | The Andhra Pradesh Housing Board Act | 1956 |
| 4. | The Andhra Pradesh Municipalities Act | 1965 |
| 5. | The Andhra Pradesh Panchayat Samitis and Zila Parishads Act | 1959 |
| 6. | The Andhra Pradesh Slum Improvement (Acquisition of Land) Act | 1956 |
| 7. | The Andhra Pradesh (Telengana Area) District Municipalities Act | 1956 |
| 8. | The Andhra Pradesh Urban Areas (Development) Act | 1975 |
| 9. | The Assam Municipal Act | 1956 |
| 10. | The Assam Slum Areas (Improvement and Clearance) Act | 1959 |
| 11. | The Assam Town and Country Planning Act | 1959 |
| 12. | The Bangalore Development Authority Act | 1976 |
| 13. | The Bihar Industrial Areas Development Authority Act | 1974 |
| 14. | The Bihar and Orissa Municipal Act | 1922 |
| 15. | The Bihar Panchayat Samities and Zila Parishads Act | 1961 |
| 16. | The Bihar Regional Development Authority Ordinance (First Promulgated in 1975) | 1975 |
| 17. | The Bihar Restriction of Uses of Land Act | 1948 |

*The list includes Municipal Acts, Improvement Trust Acts, Town Planning/Development Authority Acts and Special Purpose Legislations.

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| (1) | (2) | (3) |
|--|-----|------|
| 18. The Bihar State Housing Board Ordinance (First Promulgated in 1971) | | 1971 |
| 19. The Bihar Town Planning and Improvement Trust Act | | 1951 |
| 20. The Bombay Metropolitan Region Development Authority Act | | 1974 |
| 21. The Bombay Municipal Corporation Act | | 1888 |
| 22. The Bombay Provincial Municipal Corporation Act | | 1949 |
| 23. The Calcutta Improvement Act | | 1911 |
| 24. The Calcutta Metropolitan Development Authority Act* | | 1972 |
| 25. The Calcutta Metropolitan Planning Area (Use and Development of Land) Control Act* | | 1965 |
| 26. The Calcutta Metropolitan Water and Sanitation Authority Act | | 1966 |
| 27. The Calcutta Municipal Act | | 1951 |
| 28. The Cantonment Board Act | | 1924 |
| 29. The Capital of Punjab (Development and Regulation) Act | | 1952 |
| 30. The Chotanagpur and Santhal Parganas Autonomous Authority Act | | 1971 |
| 31. The City of Mysore Improvement Act | | 1903 |
| 32. The City of Nagpur Municipal Corporation Act | | 1948 |
| 33. The Darjeeling Hill Area Development Council Act | | 1976 |
| 34. The Delhi Development Act | | 1957 |
| 35. The Delhi Municipal Corporation Act | | 1957 |
| 36. The Delhi Road Transport Laws (Amendment) Act | | 1957 |
| 37. The Durgapur (Development and Control of Building Operations) Act* | | 1958 |
| 38. The Factories Act (Central Act) | | 1948 |
| 39. The Faridabad Complex (Development and Regulation) Act | | 1971 |
| 40. The Gauhati Municipal Corporation Act | | 1969 |
| 41. The Goa, Daman and Diu Municipalities Act | | 1968 |

*These three legislations have been repealed by the W.B. Town and Country (Planning & Development) Act, 1979. However, the provisions of the Calcutta Metropolitan Development Authority Act, 1972 have been incorporated in the new Act.

| (1) | (2) | (3) |
|--|---------|---------------------|
| 42. The Goa, Daman and Diu Town and Country Planning Act | | 1974 |
| 43. The Gujrat Housing Board Act | | 1961 |
| 44. The Gujrat Industrial Development Act | | 1961 |
| 45. The Gujrat Municipalities Act | | 1963 |
| 46. The Gujrat Panchayats Act | | 1961 |
| 47. The Gujrat Slum Areas (Improvement, Clearance and Redevelopment) Act | | 1973 |
| 48. The Gujrat Town Planning and Development Act | | 1978 |
| 49. The Guruvayar Township Act | | 1961 |
| 50. The Haryana Development and Regulation of Urban Areas Act | | 1975 |
| 51. The Haryana Housing Board Act | | 1971 |
| 52. The Haryana Municipal Act | | 1973 |
| 53. The Haryana Urban Development Authority Act | | 1977 |
| 54. The Himachal Pradesh Housing Board Act | | 1972 |
| 55. The Himachal Pradesh Municipal Act | | 1968 |
| 56. The Himachal Pradesh Town and Country Planning Act | | 1977 |
| 57. The Howrah Improvement Act | | 1956 |
| 58. The Hyderabad Municipal Corporation Act | | 1955 |
| 59. The Jammu and Kashmir Development Act | | 1970 |
| 60. The Jammu and Kashmir Housing Board Act | | — |
| 61. The Jammu and Kashmir Land Acquisition Act | Sambvat | 1990 |
| 62. The Jammu and Kashmir Municipal Act | | 2008 (1951 A.D.) |
| 63. The Jammu and Kashmir Prevention of Ribbon Development Act | | 2007 (1950 A.D.) |
| 64. The Jammu and Kashmir Town Area Act | | 2001 |
| 65. The Jammu and Kashmir Town Planning Act | | 1963 |
| 66. The Karnataka Housing Board Act | | 1973 |
| 67. The Karnataka Improvement Boards Act | | 1976 |
| 68. The Karnataka Municipalities Act | | 1979 |
| 69. The Karnataka Municipal Corporation Act | | 1977 |
| 70. The Karnataka Slum Areas (Clearance and Improvement) Act | | 1973 |
| 71. The Karnataka Town and Country Planning Act | | 1961 |

| (1) | (2) | (3) |
|-----|---|------|
| 72. | The Kerala Land Acquisition Act | 1961 |
| 73. | The Kerala Municipal Corporation Act | 1961 |
| 74. | The Kerala Municipalities Act | 1960 |
| 75. | The Kerala Panchayats Act | 1960 |
| 76. | The Kerala State Housing Board Act | 1971 |
| 77. | The Land Acquisition Act (Central Act) | 1894 |
| 78. | The Madhya Pradesh Apartment Ownership Act | 1976 |
| 79. | The Madhya Pradesh Gandhi Basti Khashetra (Sudhar Tatha Nirmulan) Adhiniyam | 1971 |
| 80. | The Madhya Pradesh Housing Board Act | 1950 |
| 81. | The Madhya Pradesh Land Revenue Code | 1959 |
| 82. | The Madhya Pradesh Municipal Corporation Act | 1956 |
| 83. | The Madhya Pradesh Municipalities Act | 1961 |
| 84. | The Madhya Pradesh Nagar Tatha Gram Nivesh Adhiniyam | 1973 |
| 85. | The Madhya Pradesh Panchayats Act | 1962 |
| 86. | The Madhya Pradesh Regulation of Use of Land Act | 1948 |
| 87. | The Madhya Pradesh Slum Improvement (Acquisition of Land) Act | 1956 |
| 88. | The Madhya Pradesh Town Improvement Trust Act | 1960 |
| 89. | The Madhya Pradesh Town (Periphery) Control Act | 1960 |
| 90. | The Madras City Municipal Corporation Act | 1919 |
| 91. | The Madras Town Planning Act | 1920 |
| 92. | The Maharashtra Apartment Ownership Act | 1970 |
| 93. | The Maharashtra Housing and Area Development Act | 1976 |
| 94. | The Maharashtra Municipalities Act | 1965 |
| 95. | The Maharashtra Regional and Town Planning Act | 1966 |
| 96. | The Maharashtra Slum Areas (Improvement Clearance and Redevelopment) Act | 1971 |
| 97. | The Maharashtra Zila Parishads and Panchayat Samities Act | 1961 |
| 98. | The Manipur Municipalities Act | 1976 |
| 99. | The Manipur Town and Country Planning Act | 1975 |

| (1) | (2) | (3) |
|---|-----|---------------------|
| 100. The Nagaland Eviction of Persons in Unauthorised Occupation of Public Land Act | | 1974 |
| 101. The Nagaland Town and Country Planning Act | | 1966 |
| 102. The Nagpur Improvement Trust Act | | 1936 |
| 103. The Natural Calamities and Destroyed Areas Improvement Act | | 2011 (1954 A.D.) |
| 104. The Orissa Municipal Act | | 1950 |
| 105. The Orissa State Housing Board Act | | — |
| 106. The Orissa Town Planning and Improvement Trust Act | | 1956 |
| 107. The Patna Municipal Corporation Act | | 1951 |
| 108. The Pondicherry Town and Country Planning Act | | 1969 |
| 109. The Punjab Development of Damaged Areas Act | | 1951 |
| 110. The Punjab Housing Development Board Act | | 1972 |
| 111. The Punjab Municipal Act | | 1911 |
| 112. The Punjab Municipal Corporation Act | | 1976 |
| 113. The Punjab Nangal Township (Periphery) Control Act | | 1958 |
| 114. The Punjab New Capital (Periphery) Control Act | | 1952 |
| 115. The Punjab New Mandies Township (Development and Regulation) Act | | 1960 |
| 116. The Punjab Regulation of Colonies Act | | 1975 |
| 117. The Punjab Scheduled Roads and Controlled Areas (Restriction of unregulated Development) Act | | 1963 |
| 118. The Punjab Slum Areas (Improvement and Clearance Act | | 1961 |
| 119. The Punjab Talwara Township (Periphery) Control Act | | 1961 |
| 120. The Punjab Town Improvement Act | | 1922 |
| 121. The Punjab Urban Estates (Development and Regulation) Act | | 1964 |
| 122. The Rajasthan Colonisation Act | | 1954 |
| 123. The Rajasthan Housing Board Act | | 1970 |
| 124. The Rajasthan Land Acquisition Act | | 1953 |
| 125. The Rajasthan Municipalities Act | | 1959 |
| 126. The Rajasthan Urban Improvement Act | | 1959 |
| 127. The Slum Areas (Improvement and Clearance) Act | | 1956 |

| (1) | (2) | (3) |
|---|-----|-------------------|
| 128. The Tamil Nadu District Municipalities Act | | 1920 |
| 129. The Tamil Nadu Panchayats Act | | 1958 |
| 130. The Tamil Nadu Parks, Playfields and Open Spaces (Preservation and Regulation) Act | | 1959 |
| 131. The Tamil Nadu Public Health Act | | 1958 |
| 132. The Tamil Nadu Slum Areas (Improvement and Clearance) Act | | 1971 |
| 133. The Tamil Nadu Slum Clearance and Improvement (Acquisition of Land) Act | | 1959 |
| 134. The Tamil Nadu State Housing Board Act | | 1961 |
| 135. The Tamil Nadu Town and Country Planning Act | | 1971 |
| 136. The Tamil Nadu Urban Land (Ceiling and Regulation) Act | | 1976 |
| 137. The Tamil Nadu Urban Land Tax Act | | 1966 |
| 138. The Travancore Town and Country Planning Act | | 1120 (ME) 1945 |
| 139. The Travancore Town Planning Act | | 1108 (ME) 1932 |
| 140. The Tripura Town and Country Planning Act | | 1973 |
| 141. The Urban Art Commission Act (Central Act) | | 1975 |
| 142. The Urban Land (Ceiling and Regulation) Act (Central Act) | | 1976 |
| 143. The Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam | | 1965 |
| 144. The Uttar Pradesh Kshetra Samitis and Zila Parishads Adhiniyam | | 1961 |
| 145. The Uttar Pradesh Municipalities Act | | 1916 |
| 146. The Uttar Pradesh Nagar Mahapalika Adhiniyam | | 1959 |
| 147. The Uttar Pradesh (Regulation of Building Operation) Act | | 1958 |
| 148. The Uttar Pradesh Road Side Land Control Act | | 1945 |
| 149. The Uttar Pradesh Slum Areas (Improvement and Clearance) Act | | 1962 |
| 150. The Uttar Pradesh Urban Planning and Development Act | | 1973 |
| 151. The Water (Prevention and Control of Pollution) Act (Central Act) | | 1974 |

| (1) | (2) | (3) |
|------|--|------|
| 152. | The West Bengal Acquisition of Homestead Land for Agricultural Labourers, Artisans and Fishermen Act | 1975 |
| 153. | The West Bengal Apartment (Regulation of Construction and Transfer) Act | 1972 |
| 154. | The West Bengal Comprehensive Area Development Act | 1974 |
| 155. | The West Bengal Housing Board Act | 1972 |
| 156. | The West Bengal Industrial Infra-structure Development Corporation Act | 1974 |
| 157. | The West Bengal Land Development and Planning Act | 1948 |
| 158. | The West Bengal Land (Requisition and Acquisition) Re-enacting Act | 1977 |
| 159. | The West Bengal Municipal Act | 1932 |
| 160. | The West Bengal Panchayat Act | 1973 |
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²S.P. Verma and S.K. Sharma, *Managing Public Personal System*, New Delhi, IIPA, 1977, pp. 10-11.

³Francis P. Shepherd, Harold R. Wanless and *et. al*, *Form in Modern English*, London, Macmillan, 1977, p. 81.

A book having 2nd Ed.

¹Harry Schwartz, *Russia's Soviet Economy*, 2nd ed., Englewood Cliffs, N.J., Prentice Hall, 1954, p. 37.

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⁵Peter Russell, ed., *An Examination of Ezra Pound*, Norfolk Conn., New Directions, 1950, pp. 14-23.

⁶William San O'Connor and Edward Store, eds., *A Casebook on Ezra Pound*, New York, Thomas Y. Crowell, 1959, p. 137.

A book having an author and an editor

⁷Thomas Robert Malthus, *On Population*, ed. Gertrude Himmelfarb, New York, the Modern Library, 1960, p. xxvii.

A book having a translator

⁸Simone Weil, *Oppression and Liberty*, trans. Arthur Wills and John Petric, Amherst, University of Massachusetts Press, 1973, pp. 106-8.

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⁹Daniel J. Boorstin, *The Americans*, New York, Random House, 1958-73, II, p. 137.

A book in a series

¹⁰Arthur S. Link, *Woodrow Wilson and the Progressive Era 1910-1917*, New American Nation Series, New York, Harper, 1954, pp. 16-31.

An article in an edited collection of contributions

¹¹Herbert H. Rowen, "Kingship and Republicanism in the Seventeenth Century: Some Reconsideration," in *From the Renaissance to the Counter-Reformation*, ed., Charles H. Carter, New York, Random House, 1965, p. 430.

An unsigned article in an encyclopedia

¹²"Comets," *Random House Encyclopedia*, 1977 ed., p. 90.

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An unsigned article in a magazine or newspaper

¹⁴"Controversies in Education: The American High School," *Phi Delta Kappan*, Vol. 40, November, 1958, p. 26.

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¹⁵Zellig Harris, "Grammar on Mathematical Principles", *Journal of Linguistics*, Vol. 14, No. 1, 1978, pp. 15-20.

A book with corporate author

¹⁶National Council of Teachers of English, Commission on the English Curriculum, *Language Arts for Today's Children*, New Delhi, 1978, p. 108.

A bulletin report or pamphlet

¹⁷United Nations, *Measures for the Economic Development of Under-Developed Countries*, New York, United Nations, 1951, pp. 8-9.

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An unpublished thesis or dissertation

¹⁹Bruce H. Wilson, "The New Democratic Party of Canada: An Example of a Third Party Movement," Diss. New School for Social Research, 1976, p. 67.

VIII

A Private Communication

²⁰Information in a letter to the author from Professor Ravan McDavid of the University of Chicago, June 23, 1963.

Subsequent Footnote Citations

Ibid. (for immediately preceding footnote)

²¹Mohinder Singh and R.N. Sharma, *Civil Service and Personnel Administration*, New Delhi, IIPA, 1981, pp. 81-82.

²²*Ibid.*, pp. 120-121.

²³*Ibid.* (refers to the same page).

op. cit. (footnote cited earlier but separated from intervening footnotes).

²⁴Oroon Kumar Ghosh, *Planning India's Future*, Calcutta, Minerva, 1978, pp.110-11.

When two works of the same author are cited

²⁵Eliot, *Notes Towards Definition of Culture*, *op. cit.*, p. 81.

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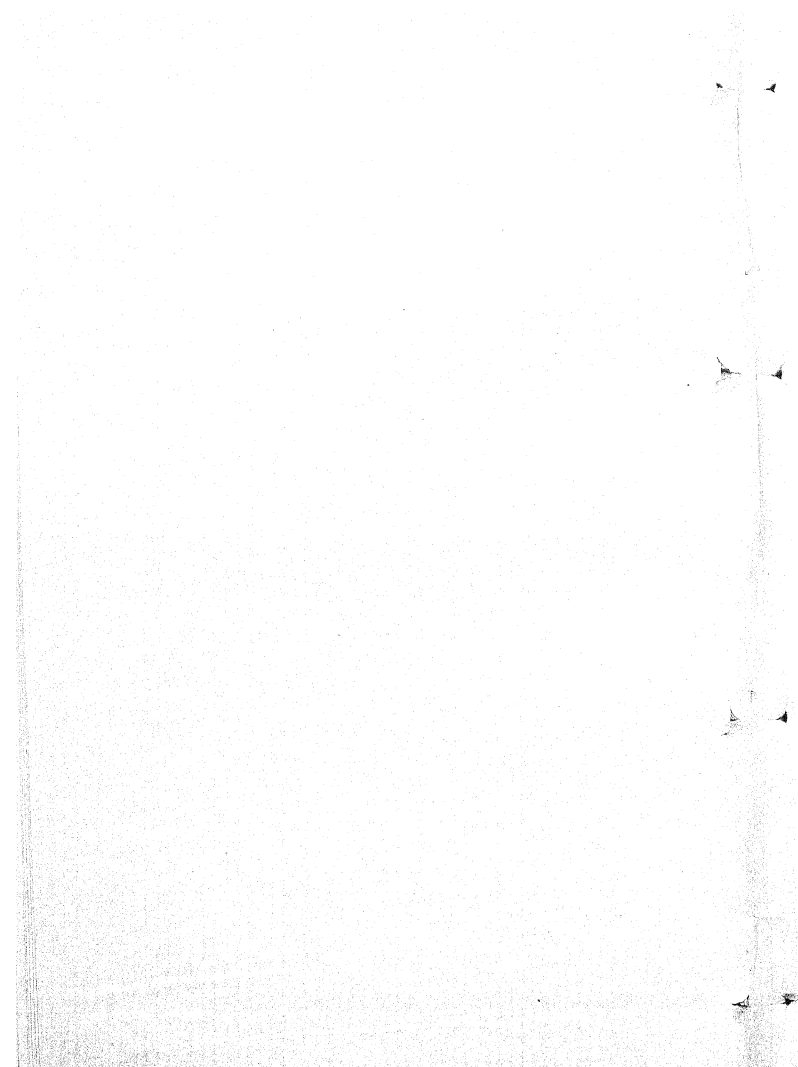
Editorial

Ten years back we brought out a special issue of Nagariok on Municipal Finance (October-December, 1971). Today the problems of municipal finance have become more complex compared to the position a decade back; at the same time there seems to be thinking and experimentation in this field which opens up new possibilities on the horizon.

This special issue starts with a review article which attempts to draw lessons from British experience in local government finance for India. This is followed by a paper on grants policy for local bodies. The next paper considers the fiscal alternatives to octroi. This is followed by three papers and a letter on the vexed problem of property taxation. Finally, we present a case study of successful financial management practice in the municipal corporation of Greater Bombay. In addition, the issue contains reviews of three books on municipal finances.

As in the case of our earlier special issues we hope that the present collection of articles on the problems of municipal finance would be of interest to the practitioners and students of Indian municipal finance.

—Editor



Local Government Finance: Lessons from British Experience

BHABATOSH DATTA

THE BASIC theory of public finance is an integral sub-set of the general macro-economic theory in which the government sector consumption, savings and investment are taken as identifiable variables. But when one tries to break the sub-set down into its detailed components with the related dependence functions, the possible variations are many and their character and weightage differ from country to country and even from region to region. And when the term 'government' is used in its logically wide sense of all public authorities, the structural inter-relations among the different authorities become an important element. A study of public finance thus becomes sterile unless it is firmly based on the institutional and behavioural facts of particular systems.

A unitary state like Britain does not have the complex problems of the allocation of financial and functional rights and responsibilities that a federal system has. What is called local government in Britain is a second-tier government covering the entire population through urban and non-urban elected bodies. On the other hand, local government in a federal state covers, in its wider sense, the entire structure of authority below the Central government and, in its narrower sense, the third-tier public authorities below the state or provincial governments. Moreover, in a federal state the powers and duties of the state governments are regulated by the Constitution, while the third-tier local governments derive their powers from federal or state laws. In India, the local governments have no constitutional recognition, their powers being entirely derived from enactments of the state legislatures. The Constitution defines Union and State legislative (and therefore executive) fields and there is a 'concurrent list' also. There is no list for local bodies. The State government may delegate to the local bodies any power that is included in the state list and provide also for restrictions and overriding authority, including that of supersession. The number of superseded local bodies sometimes becomes very large.

The British system of local government is also based on Parliamentary enactments, but there are the special features of an unwritten constitution with its long and widely accepted traditions. In fact, the history of local government in Britain has been one of a continuation of the traditional rights and privileges of the local authorities on which Parliamentary laws have been super-imposed. Starting from the administration of the 'poor laws' and from the exercise of valuable voting powers, the local governments have grown into a very important part of the totality that is called government. A citizen gets a large part of his direct services from the local authorities and these include school education, social insurance, public health and civil administration. With the growth of the welfare state, particularly after the 'Beveridge revolution', the local governments' operations have grown enormously, creating special problems of operative efficiency, inter-area differentials in attracting investment and, of course, of financing.

It is this history and the complex of current problems that C.D. Foster, R.A. Jackman and M. Perlman (FJP) have presented in their cyclopaedic work *Local Government Finance in a Unitary State**. The students of local finance in Britain will no doubt read the various special reports, coming down to that of the Layfield Committee of 1976, but that does not reduce the importance of independent scholarly studies based on solid factual research. Such studies can examine all aspects of the problems in both a historical and a cross-sectional background and can sometimes show the way from among the welter of alternatives and particularly from between such extreme bi-polar alternatives as indicated by the Layfield Committee.

As far as one can judge, there is no aspect of local government finance in Britain that has been left out in the FJP study. Comparative data from other countries (European or American) have not generally been given, but the book is very full even without this. There is a detailed historical account, bringing out clearly the unevenly changing relations between the central and local governments. This is followed by comprehensive analyses of the growth of local expenditure and receipts, with detailed separate studies of the rates and grants. All this is examined in further detail and depth in the second part, designated 'Analysis'. The third part of the book deals with the possible ameliorative measures within the present structure, while the final part examines the important reform proposals.

In fact, a possible criticism of the book may be that it is somewhat too full. The exposition of the pure theory of the pricing of public sector outputs of goods and services or of the choice problem under different budget lines may appear to the reader either elementary or

confusing, the latter because of the use of tools like the Marshallian consumer's surplus or of the unmeasurable 'exclusion costs'. The need for extreme caution when passing from individual preferences to social preferences has not been sufficiently emphasized. If the reader has a basic grounding in economic theory, he will not require the exposition in the book and he may find a number of inadequacies. If he does not have this background, the closely-printed appendices will not help much in understanding how a rarefied theoretical model can be translated into policy proposals. There is also the fact that the book contains a large measure of repetition. Three authors and the particular way in which the study has been divided into four separate parts could naturally result in this.

But all this is unimportant when one considers what the reader gets on the positive side. An Indian reader seeking lessons from the British experience starts from the facts that in his own country there is a three-tier system which is not uniform in all states, that the local bodies perform certain limited functions only, that they have not been made integral parts of the civil administration or of the welfare services and that the types of traditions and conventions that have developed in Britain are absent here. At the same time, there are other aspects which provide common ground: the increasing importance of grants in the total incomes of the local bodies, the difficulties of devising satisfactory grant formulae, the wasteful effect of dependence on grants, the inadequacies and inequities of the property taxation system as practised, the problems of finding alternatives and the 'horizontal inefficiency' as indicated by the disparities in the levels of services provided to the citizens. On each one of these subjects, the authors provide detailed information and clear analysis with an examination of reform proposals.

The authors devote a considerable part of their analysis to the problem of 'efficiency', which is a much-abused term. In common parlance, it means the ability of an individual to achieve the results targeted, quantitatively, qualitatively and temporally. In the Paretian sense, it means the achievement of a position from which a change to an uncontestably better position is not feasible. The concept of 'horizontal efficiency' has been used by the authors to compare the level of services provided in the different local body areas, which appear in some sort of a competitive role, competing for residents, house construction and business or industrial investment. One can use such a comparison simply for establishing the norms for evaluating the 'needs'. One can also use it for analysing the flow of investible resources as between different local areas, the flow being determined by variables among which are to be counted the levels of services available and the burdens of local taxation. The 'Tiebout thesis' that people can and do choose

between locations after comparing benefits and costs cannot always be easily tested, but suburban growth of industry is a pointer.

In the Indian situation, there is such a large difference between municipal taxation and local taxation in the neighbouring non-urban areas, that the factory owners would be easily tempted to establish factories just outside the municipal boundaries. The neighbouring municipalities in such cases have to bear a large part of the burdens of social service expenditure, *e.g.*, on account of labour slums developing within the municipal areas. A study of the history of municipal growth in the greater Calcutta industrial area shows how the British owners of jute mills promoted the establishment of municipalities covering the areas where the labourers lived, while keeping the factories outside the municipalities so as to avoid property taxes. At present, however, other factors have come to dominate. Migration to cities continues despite high levels of taxation and the main factor in suburban growth is the high price of land in the core area. For industry, the local tax differential has come to be much less important than the other factors governing investment and in all this the lumpiness of the advantages, disadvantages or concessions has increased. Relative tax burdens and service levels as variables at the margin in the choice of location for residence or business are more important in a country like Britain where economic behaviour in general is more sensitive to marginal differences in the values of the independent variables than in a country like India.

The expenditures of local bodies have grown enormously in Britain after World War II, though the rate of growth has not been uniformly spread over time. It is interesting to note that in some of the econometric exercises on the expenditure on social services, one of the significant variables has been the relative numbers of Labour and non-Labour members on the elected bodies. There is also an illuminating picture of the variations in the rates of growth of local government expenditure under different Prime Ministers, starting from Gladstone in 1868-74, coming down to Wilson in 1974-75. The post-1945 Labour government raised the total social service expenditure to great heights and a good part of it came to be incurred through the local bodies. The total revenue account expenditure of these bodies increased from £ 424 million in 1930 and £ 729 million in 1945 to £ 12,254 million in 1975 (against this nearly 30-fold increase in 45 years, one can put the relatively low 10-fold increase in the revenue account expenditure of the Corporation of Calcutta). The expenditure on Education undertaken by the British local bodies rose from £ 128 million in 1945 to £ 4,404 million in 1975. Other large increases took place in poor relief and housing. In the case of capital expenditure, the most striking increases have taken place in housing and in educational buildings.

The detailed data show that though the local bodies have the basic

responsibility for civil administration, the expenditure on this has never been more than 7 or 8 per cent of the total local expenditure. In the aggregate, the share of local government expenditure in the GNP rose from 3 per cent in 1870 to 18 per cent in 1975, though there were some periods of even higher shares (as in the early thirties—when relief expenditure increased and the GNP fell). It seems that opposing forces were at work, some leading towards centralisation of expenditure in the hands of the central government and some towards diffusion, the relative importance of the forces depending largely on the political complexion of the government and also on the cyclical factors. One can argue interminably whether local government expenditure would be cyclical or counter-cyclical, but the combination of the early years of the slump of the thirties with a Labour government in power meant compensatory official financing of increased relief expenditure.

An important exercise is attempted by FJP for measuring the grant-elasticity of local expenditure. It is an open question whether expenditure increases (or decreases) with an increase (or decrease) in grants or whether grants are adjusted to the changes in the expenditure levels (leading to the question of the expenditure-elasticity of grants). In regard to expenditure as a function of grants, it is likely that there would be a lagged response, unless there are specific grants for specific special items of expenditure and also unless expenditure is currently undertaken in the confident expectation that additional grants would be forthcoming. The Indian reader will remember innumerable cases of grants following deficits and successfully realised under lobby pressures.

Both in Britain and in India, government grants to local bodies are becoming increasingly important as compared to local taxation. The basic local taxation being the property tax, it is difficult to secure the desired elasticity in its yield, either in response to needs or in response to inflation. Service charges, where applicable, raise the question of 'non-excludability', *i.e.*, of the practical impossibility of excluding any one from the benefit of the services (*e.g.*, in the case of street lighting or garbage clearance. Trading profits are important when the local bodies undertake the operation of major service industries, like transport, electricity or gas. In Britain, these were substantial before World War II, but the function of supplying electricity and gas was later taken over by independent Boards. In India, there have been only a few cases of municipalities generating and supplying electricity or providing city transport. Other local taxes are naturally of minor importance, but there may be 'assigned taxes' and also 'shared taxes', collected by the government, the receipts being transferred wholly or partly to the local bodies. In Britain, the best examples of assigned taxes were certain licence fees, while in India the motor vehicles taxes or the entertainment tax have been shared, though not on a uniform basis.

FJP have given an exhaustive study of property taxation or the 'rates'. The reader faces a difficulty because the study is not all in one place, the history being discussed in Part I, the incidence in Part II, assessment and rating in Part III and alternative proposals like site value rating in Part IV. The distinction between the benefit and ability-to-pay principles has been clarified and it is shown that the latter principle has come to dominate. The authors have tried to bring out how the Ricardian concept of pure economic rent influenced the framers of policy, but they also point out later how difficult it is to determine the distribution of the incidence of the rates on owners, occupiers and third parties. Much depends on the methods adopted for valuation. The expected progressiveness of the rates may be substantially neutralised by a complex of allowances and rebates. Differential rating of different types of property can be built into the system, but there may be discrimination against owners whose activities are more land-intensive than others, though the latter may have much higher total property. These are problems relevant to every country, with the difference that in countries like India, the administrative problems are multiplied manifold.

There is the unsolved question as to whether the rates are to be regarded as an *ad valorem* property tax. A change from an annual rental value to a capital-value basis will not eliminate the administrative and estimational difficulties, or the subjective element in the process. In India, there will be additional problems in determining the potential sale price of a property, first because there is practically no clearly visible property market in many urban areas, each transaction being an independent one, secondly because such transactions are very small in number, and thirdly because the recorded sale price may be much lower than the price actually received. And it is true everywhere that the potential sale price of a property is not an index of the ability to pay rates currently.

The authors have made a detailed examination of the proposal 'for site value rating', the economic argument for which is based on Ricardo, the idea being that a tax which is not more than 100 per cent of the 'economic rent' will not affect the use to which it is put. This is a proportion which follows easily from the appropriate theoretical model, but is not very much meaningful when there is a complex mixture of variables. The other argument, similar to this, is a matter of social morality in terms of unearned increment, of which an emotional use was made by Henry George in his 'single tax' proposal about a century ago. Taxing of development values and of value expectations (which would normally be incorporated into the current sale values) raises questions not only of immediate measurement, but also of the dynamics of land-use planning. The 'de-rating of buildings' raises more fundamental questions. It is quite easily

possible that feasible rates based on site value, under a scheme of zoning, will ultimately lead to a greater dependence on grants than now. And if a tax on buildings is added to the tax on land, one comes back to the same set of complexities as one faces at present. The methods and periodicity of assessment and re-assessment will determine whether a site value tax will be more buoyant than the standard system of property taxation, but the changes in receipts will, as in other systems, lag behind the changes in values, particularly when inflation has become chronic.

FJP do not discuss the reform proposal based on a cluster of 'measurement points' each with a co-efficient attached to it. Nor does the Layfield Committee put any emphasis on it. The reason perhaps is that the co-efficients will have to be largely arbitrary and one could produce substantial differences in results by changing the variables and their weightage. The case for a local income tax (even when there is no constitutional difficulty, as we have in India) is weak, not only because of double taxation on the same base, but also because the residence of the income-earner may not be the same as the place where the income is earned. The Layfield Committee suggested the superimposition of a local income tax on the rates, but FJP show clearly the difficulties involved. The other taxes are relatively unimportant, as are charges, fees and fines. In India, there are a few shared taxes (like the motor vehicles tax or the entertainment tax) but the shares of the local bodies sometimes depend on criteria which do not take account of the needs. Trading profits could be important anywhere, but the general trend is towards transferring production and trading to autonomous bodies. All this means that the really important source of revenue for the local bodies is grants from government. This is true for Britain and is true for India also (taking both the urban and rural local governments together).

As in the case of property taxation, FJP's discussion on grants is also spread over four separate chapters in the four parts of the book. The historical analysis brings out the complexity of the grant system in Britain (in 1918 there were 57 separate grants to local bodies for education alone), which created 'a chaos which practically no one understands'. Committees came and went devising new types of formulae and the debate continued on the choice between the 'unit system' (say, per capita expenditure on a particular service) and the 'percentage system', it being recognised that a 'unit' could be defined in a number of ways. Among the notable participants in the debate was Sidney Webb, who, in 1920, denied the distinction between national and local services and argued in favour of a national minimum of services. Nearly sixty years later, the Layfield Committee repeated the same principle when it emphasised the need for

distinguishing between the local authorities' expenditure incurred because of national (or government-imposed) requirement and the expenditure incurred at their own discretion. The recognition of a national minimum provided the base for a grant-financed system of local expenditure, but there were sometimes other considerations also.

An important point that emerges from FJP's historical analysis is that the grant system was "often promoted by the consideration of control of local expenditure, rather than by the consideration of the purpose of such expenditure". An appendix gives details of the various formulae tried. The striking feature in all this is the complexity of the variables, their co-efficients and their relational linkages. The discussion is carried forward to an economic analysis of the principles of grant distribution, taking account both of needs and resource-requirements. The new system of Rate Support Grants introduced in 1974 changed the objective of equalisation in terms of the national average rateable value per head to equalisation terms of an arbitrary 'standard' rateable value per head. As this arbitrary standard has been above the national average, practically all authorities qualify for the *resource* grant, while under the older scheme only the sub-average cases were eligible. The *needs* element is based on the levels of expenditure on different services. This seems easy, but inter-body differences may arise on account of many factors affecting costs (voluntary as well as involuntary) and quality-comparisons are often difficult. In countries where local body services do not mean the same thing for all such bodies and particularly where there is a wide gap between rural and urban services, the problems become much more difficult.

The authors are critical of grant allocation by the regression method, which takes account of demographic, geographical and socio-economic characteristics, but not of the levels of beneficial services and operational efficiency. The 'omitted variables bias' (omission of some variables affecting the effects of others) may be quite important in some cases. The regression method actually used may also reward 'high-spending authorities', while penalising the more thrifty. The conclusion drawn is uncomfortable: "The regression approach is only capable of a pragmatic defence" and there is an "endless and ultimately hopeless search for a method of grant distribution which can achieve horizontal equity" without falling subject to the "mounting confusion and irresolution of purpose in the division of functions between central and local governments".

There have been many proposals for reforming the grant system. One alternative is to identify the individuals, or 'client groups', who need a particular service and then to estimate the needed expenditure

on the basis of a pre-set norm. This can be implemented only when the levels of service and the number of beneficiaries (actual and potential) are both measurable. The British government proposed to the Layfield Committee a 'unitary grant', to be paid to each authority equivalent to "the difference between its centrally-assessed spending need" and its potential rate revenue at a government-set standard rate poundage. This would call for local changes in the actual rate poundages when the actual expenditure is above the assessed needs, *i.e.*, when grants prove inadequate. This, one notes, will not be feasible in a system in which there are administrative and political constraints on changing the rates of property taxation in immediate response to shortfalls in resources.

FJP do not suggest any substantial changes in the present system. Simple formulae like percentage grants or a fixed per capita grant will not compensate the authorities for their different needs and will affect the rate poundages. They do not accept the Layfield argument that a cut in the proportion of grants to the total spendable resources of local bodies would increase local autonomy. One could add that practically the same consideration applies to sovereign governments receiving grants from international agencies, to state-units receiving grants from the federal centre and also to local bodies receiving grants from governments. The range of functions that can be appropriately performed by the local bodies does not uniquely define the range of internal financial resources. And grants are often the most rational method of combining efficiency in raising revenues and making the revenues available to bodies most suited to utilise them.

Many other allied problems can be raised. One, for example, is that of the optimal size of a local body. The case for small units rests on the possible diseconomies of scale and loss of control with increasing size above a limit and the case for large units is based on the opposite expectation of economies of scale and superior management. There seems to be little satisfactory evidence on economies or diseconomies of scale in the provision of local government services. The conditions may differ from country to country and even from region to region. Besides, the considerations applicable to one type of service may not be applicable to another. What can be the final conclusion when a larger size of the local body means economies of scale in providing one particular service and diseconomies of scale in the provision of another? Government control is easier when the number of bodies is small and the trend everywhere is towards a larger size. Examples of local bodies (like municipalities) being split into two or more bodies are rare. The position has changed in Britain because of the transfer of electricity, gas and water supply to non-elective autonomous bodies covering wide areas. In the Indian situation, such autonomous bodies do not have a good

record of efficiency, but the efficiency of the local bodies is sometimes much lower. Common service agreements among neighbouring local bodies may be a solution in some cases.

Another problem is that of incorporating suburbs and 'urban out-growths' in the parent urban bodies. In Britain, this may mean transfers from country authorities to municipalities. In India this would mean converting rural self-governing areas into wards of municipalities. FJP think, in the light of British experience, that the strongest arguments seem to be in favour of small bodies, which would mean in appropriate cases, creation of new municipal or similar bodies. The Indian case has to be examined carefully in the light of the fact that many urban local bodies are very small. There is a political argument for a large number of bodies which serve as a political nursery for the future entrants to the national or state legislatures, but one has to admit that the experience has not always been helpful or socially beneficial.

The Layfield Committee found the British local government system in a confusion. The detailed exercises of FJP put the confusion on its historical background and on the perspective of macro-economic objectives. Radical changes are considered, but not generally recommended. The Layfield alternatives that either local government should be regarded as subordinate, or the growth of central control should be reversed, enabling the local bodies to operate freely within statutory limits, did not take into account many other feasible alternatives between the two extremes. The 'mix' of autonomy and central control will naturally differ under different conditions and under different political philosophies regarding the meaning and content of democracy. What was a guiding philosophy for Harold Wilson will not prove acceptable to Margaret Thatcher and what would be agreed to by almost everyone in a severe economic depression will not appear right in a situation characterised by long-continued inflation.

While the Layfield Report was written at a particular time on the background of a particular situation, FJP's book is likely to remain standard reading for all students of local finance for a long time. And this will be true not only of the students of the British system, but also of others elsewhere. They will surely notice the big differences, but they can derive many valuable ideas also. As already stated, a federal state has problems of its own and a large state with regions at different levels of developments produces another set of problems. It is well-known how difficult it is in India for the Finance Commissions to devise a tax sharing-cum-grant scheme which is more or less fair to every unit. In the case of a state government *vis-a-vis* the large numbers of local bodies the problems are more complex not only because the inter-authority differences are much sharper, but also because of the inadequacy and poor quality of the data to be used for comparison. Even if one takes only

municipalities in India into account, one notes that there are large metropolitan corporations at one extreme and very small units with a population of around 5,000 each. Lowell's description of the pre-1914 German imperial federation as an aggregation of a lion, half-a-dozen foxes and a score of mice seems to be very apt. This makes the laying down of general principles difficult and to that extent the discretionary element (involving lobbying pressures for influencing the discretion) increases. One gets some consolation from the fact that the problems are quite difficult in a small homogeneous well-developed country like Britain also. Britain's advantages are not our advantages, but Britain's difficulties are all important for us, many times multiplied by inefficiency, complacency, corruption, litigation and a general lack of a political code of conduct. □

Formulation of A Grants Policy for Local Bodies

NIRMALA BANERJEE

THIS PAPER examines some of the issues involved in devising an unambiguous and fiscally justifiable policy regarding the devolution of grants from higher level governments to local bodies, especially urban local bodies. Although the problem is of interest in most democratic countries, its nature differs from country to country because the traditions and ideas about the roles of the state, the local governments and their interrelationships diverge widely. This divergence is noticeable even within a country, especially when it is as large as India. While the change in these ideas over time has been more or less in the same direction all over, the diversity in the solutions applicable in each context still remains undiminished. It is the contention of this paper that a grants policy, however elaborate the variables and their combinations in the formula used, cannot by itself satisfactorily fulfil the whole gamut of objectives involved in such inter-governmental relations. In India, the task is even more difficult because the objectives behind such a policy are usually not very clearly perceived nor are the indicators of the relative state of affairs always available.

THE BACKGROUND

While local governments have a long tradition in most countries, even in former colonial countries like India, their roles and the philosophy behind these roles consisted of several strands. In the UK local governments were the immediate custodians of citizen's welfare, looking after the poor of the community and in general guarding its day-to-day law and order, as well as security. In the US it was mainly a device for ensuring that different groups of citizens with different ideas regarding the role and extent of governmental activities got the right of putting those ideas into practice, as far as possible, without affecting the overall national security or economy. In dependent countries like India, local self-government was regarded as the first important step towards self-rule and independence from imperial authority. Even then, while

in some parts of India like Bengal, leaders in the movement were concerned only with creating a platform for their national political movements, in other parts like the Bombay presidency, it was used to ensure the provision of some civic infrastructure for the growing economic aspirations of native entrepreneurs and businessmen. In keeping with these various approaches to the institution of local government there grew up in each region particular traditions of local government activities and taxation policies as well as of its relations, financial or otherwise, with the higher levels of governments of the country.

CHANGES THROUGH TIME

However divergent the original stances of different countries regarding the philosophy and the practice of sharing state authority with local bodies, there has been in the recent years a general shift towards a more uniform position—a position where there is a considerably greater concentration of authority in the hands of the upper levels of governments though not necessarily by making the local bodies totally subservient. The nature of this process and conflicting strands involved in it have a direct bearing on the problem regarding the determination of grants.

The most important change has been a part of the overall shift towards the state becoming directly responsible for citizens' welfare. Not only is the government now responsible for provision of the traditional public goods such as defence, law and order, roads or bridges, or even for just the satisfaction of merit wants such as education or public health, but it is also responsible for providing for the basic needs of those who cannot do so for themselves. These basic needs are now being interpreted in an ever-widening sense to include minimal food, shelter, water supply as well as insurance against unemployment, sickness or old age. In addition, the state has accepted the responsibility of taking care of a number of externalities that arise through civic or economic activities—externalities such as the destruction of environment, smoke nuisance, pollution and so on. This problem of externalities is particularly important in the fast growing, densely populated, urban areas of both developed and developing countries where living is substandard for a large section of the population and there is a high rate of interference with the ecology of the region. A number of such functions would traditionally be regarded as the responsibility of local bodies; but now no national or higher level government can avoid the responsibility for ensuring their provision. Nor can it allow variations in their standards between regions on grounds of failures of the concerned local bodies.

That the state is now more concerned with these welfare responsibilities is not independent of the fact that everywhere the more deprived

citizens, especially urban citizens, are much more strident about their claims to these welfare services and the earlier concern about citizens' right to choose the kind of local government they preferred is now considered more of an indulgence of the rich.

Just as there is a general demand for uniformity of service standards, there is also a demand for a more egalitarian incidence of total public activities, be they performed at national or local level. The idea that citizens in similar economic situations but living under different local authorities may be made to pay different amounts for similar services is no longer acceptable. Earlier it was assumed that such inequities would be countered by the movement of citizens from one area to another; but it is now realised that most people, especially the poor are not that mobile.

This question becomes particularly important in case of local bodies because as taxing authorities, they can affect the overall pattern of incidence of public activities. On the other hand, their tax base is acknowledgedly narrow and insensitive both to changes in the economy as a whole and in the distribution of income within a region. As public activities have expanded, there is a growing monitoring of the taxation and expenditure policies of local bodies by the higher level governments who decide on the ultimate national policies regarding incidence.

In the period when these strong centralising tendencies arising from this concern with welfare and equity have been growing, attitudes regarding local bodies have undergone a full circle. In the initial flush of enthusiasm planners of public activities were contemptuous of the capacities of local bodies to take care of the new, more sophisticated public functions. They therefore advised that such functions be carried on departmentally, often by independent bodies created specifically for that. It gradually became evident that local tax sources as also local concern about their own civic problems were indispensable in the operation of locality-specific services. And, in order to keep local interest alive in these problems, it was necessary to preserve some of the independence and dignity of local bodies.

A GRANTS POLICY

These changes in the conception regarding the role of the state have become generally accepted. Nevertheless, in order to ensure the continuous compliance of local bodies with their policies, higher level governments have relied mainly on distributing increasingly larger grants to the former. The total quantum of these grants and their devolution between various local bodies have to be determined so as to fulfil the following objectives:

- (a) Grants are given to ensure the provision of at least a minimum

standard of certain services to all citizens.

- (b) They are sometimes also given to ensure that the incidence of local taxation is in line with the national policies.
- (c) In giving grants, the higher level governments would like to make sure that the local bodies' growing dependence on them does not curtail their independence to the extent where they become incapable of efficient action.
- (d) The expansions of centrally financed local activities has now reached a stage when in a country like the U.K., local bodies spend about one-third of total public resources. To the extent that the national government uses fiscal policies for anticyclical operations, it has to monitor the activities of local bodies in case they do not conform to the national requirements. The quantum of grants and the heads under which they are to be spent may have to be adjusted in this context from year to year.
- (e) Following once again from the growing size of local budgets, their efficiency or otherwise in their operations can also have important consequences for the total national picture.

While these objectives can be stated fairly clearly, their translation into an actual grants policy is much more complicated. To start with, the objectives are not all consistent with each other. For example, directing and monitoring the performance of local bodies vis-a-vis the provision of basic services without unnecessarily encroaching on their independence requires some delicate tight-rope walking.

Secondly, it is a common characteristic of local functions, especially of the provision of essential services that it creates long-standing commitments which cannot be altered quickly. Once a grant is given for such a provision, it cannot be curtailed in the short run just because overall public expenditure is to be curtailed or the accepted standards and priorities amongst them are to be changed. Most past commitments have to be accepted as given which reduces the room for future manoeuvrability of a grants policy.

Most important of all, in each country the existing grants policy had itself been evolved step by arbitrary step as over years, the higher level governments came to accept more and more of the current interpretation of fiscal interrelationships. The actual grants given have been expanded and assigned to particular local bodies in the wake of some emergency, or political pressure or plain haggling so that the resultant edifice at any point of time is extremely difficult to defend on grounds of any of the stated objectives or of fairness by any criterion between various local bodies.

In order to rationalise this situation many governments have, at

some time or the other, set up expert bodies to formulate grants policies which would—

- (a) reflect the objectives and priorities amongst the objectives of the policies of higher level governments;
- (b) be impartial between the various recipients. If there is to be discrimination, this should be in consequence of the policy itself, in order to serve some stated aims;
- (c) yield a more or less stable picture of the overall liability of the higher level governments and the likely receipts of each of the local bodies for at least a few years to come. This would help all the concerned governments to plan their activities accordingly on a long term basis.

Several countries have evolved such formulae for their grants policy. After briefly examining the experience of some of them, we would like to examine what would be the difficulties in carrying out similar attempts in India.

Depending on the intentions of the grantors, grants can be either general, meant only to augment the resources of the receiving body or they can be specific, *i.e.*, given with the explicit direction that they be spent for a particular purpose. Either form of grants could further be on a matching basis making it conditional for the receiving body to reach a certain level of efficiency in resource-raising or expenditure out of its own resources on a particular function. A formula for grants policy may use either sort but will more generally be combination of a general purpose grant with several specific ones. The relative criteria used in the formulae for categorising the various local bodies may be their demographic characteristics, the size of the tax base and the revenue collected, the costs of providing various services and so on. In addition, several state governments in India are required to give certain statutory grants to local bodies. These grants are usually a share in the proceeds of a particular tax given either as an annually payable fixed amount or a percentage of the yield to be passed on to local bodies. These grants can either form a part of the general pool of local resources like any other general purpose grant or be specifically for some purpose. However, their total quantum or its distribution between local bodies is not at the discretion of the grantor government and therefore their use as a part of the grants policy is rather limited.

SOME EXAMPLES

Before discussing the difficulties of devising a grants policy to fulfil such objectives in India, it would be useful to review the actual experience in some other countries where such grants are given according to

fairly elaborate formulae.

Britain's long tradition of local autonomy and local responsibility for citizens' welfare began to alter in 1948, when the National Assistance Act made the care of the poor a national responsibility. Thereafter local functions have expanded fast so that in 1975 the total expenditure of local bodies accounted for 17 per cent of the GDP. To assist the local bodies, the national government gives them grants—mainly a general purpose grant called the rate support grant and a few specific grants for such functions as maintenance of the police force.

The rate support grant which accounts for the bulk of grants is designed basically to remove the financial disabilities of poorer local bodies. Of these, the resource element is meant to ensure that, if in any local body the per capita valuation for property tax is below a national standard (set at around the national average) then its yield of property tax along with the resource element grant would be brought up to the national average. If, for instance, the national standard per capita valuation is £X and the per capita valuation in a particular local body is £YX then it will get a per capita grant = $P(X - Y)$, where P is the standard tax rate laid down by the national government. On the other hand, richer local bodies are not expected to raise more than PX of per capita tax, so that if their per capita valuation is greater than X they can levy a lower rate.

For the other element called the needs element the government determines Z, a notional amount of cost per capita of nationally accepted essential minimum services and gives grants to all local bodies such that each local body gets a per capita grant not less than Z—PX. The upper limit of this needs element is set at the amount by which the actual per capita expenditure of a local body exceeds PX. In addition, local bodies get a further grant to enable them to reduce tax rates on domestic holdings to a level below P.

The policy was intended to remove the initial financial handicap that a local body might suffer because of the poverty of its citizens but without impinging on the autonomy of local bodies. The latter were expected to make their own arrangements for further growth and development of their functions. However, inflation and rising expectations about local services together led to a state where local bodies could not carry on their functions without steep hikes in property tax rates which were politically unacceptable. As a result, grants to local bodies went on increasing till they now form about 45 per cent of the local body resources.

The policy has come in for considerable criticism for not fulfilling any of the desired objectives adequately. The equity considerations are but partially fulfilled as the rate support grant ensures equity between local bodies but not necessarily between individual citizens in different regions.

Per capita property valuation is considered a poor measure of the actual ability to pay of the citizens. Also, since comparisons are between local bodies on the basis of average values of property valuation, the subsidisation by national government of rich citizens in poor areas and neglect of poor citizens in rich areas is not ruled out. Besides, because the incidence of taxation on industrial properties can be passed on to other areas, the actual distribution of the incidence of that part of the tax is too uncertain to ensure general equity in tax incidence.¹

On a more general level, the Layfield Committee² pointed out in 1976 that the present grants policy fails to determine whether local bodies are merely agents of the national government or whether they are autonomous democratic institutions. The national government at present cannot be certain that local bodies would conform to its designs regarding the level and pattern of civic services, or the state of the economy as a whole unless it accompanies them with numerous departmental directives, rules and regulations.

On the other hand, with such a heavy dependence on grants, local bodies are not truly autonomous or accountable to the local electorate either. For this, the local tax base would have to be broad enough and elastic enough to take care of all the growing responsibilities of local bodies once their basic disabilities have been met by block grants.

The Layfield Committee suggested that the current complicated formula for block grants could be replaced by a more simple unitary system where all local bodies levy a nationally accepted rate on their property values and the government then makes up by way of grants the difference to meet the per capita standard cost of a given nationally accepted bundle of services. Local bodies would have to accept these standards of services and costs laid down for them and this often proves difficult. The defects of property valuation as a measure of personal ability to pay could be corrected by exploring ways of using personal incomes as an alternative base for determining relative grants. It, however, went on to insist that unless the question whether the British local bodies were henceforth going to be locally or centrally accountable was politically resolved, no efficient grants system could be devised to reflect the true objectives and priorities of the nation. Even then, a grants policy alone would be unable to do so without an elaborate backing of rules and regulations, though these could be made more far-seeing, stable and less elaborate.

¹A.R. Prest, *Intergovernmental Financial Relations in the United Kingdom*, Centre for Research and Federal Financial Relation—The Australian National University, Canberra, 1978, Research Monograph No. 23.

²U.K., *Local Government Finance: Report of the Committee of Enquiry*, Her Majesty's Stationery Office, London, 1976.

The Australian Government³, since 1933-34, has had a statutory independent Grants Commission for determining the devolution of grants from federal to provincial governments. The 1973 Grants Commission Act extended the role of this Commission to include the fundings of local governments as well. The current Australian policy for grants to local bodies, like the British policy, is based on the same principles of ensuring local autonomy as well as the provision of a minimum of essential services to all citizens.

The formula used since 1973 has a resource equalisation element and another element to meet differences in costs of services. Briefly for each of the local taxes (not just for property tax) the higher level government pays a grant to lower level governments such that—

Resource Grant = population of the local body x shortfall of its per capita tax base from the national average x national standard tax rate.

Needs Grant = population of local body x percentage excess of its per capita cost of each service over the standard per capita cost of that service x standard per capita cost of the service.

This calculation is made separately for each service and each tax base of local bodies and therefore achieves somewhat more objectivity than the British system.

A statistical analysis⁴ of the results of different elements of grants on various aspects of fiscal policies of the receiving bodies in Australia indicates that—

1. General purpose grants go not just to make up deficiencies but have a significant effect of reducing the tax effort of the receiving bodies. This is so even though there is an incentive for greater tax effort built into the grant formula.
2. On the other hand, specific grants do encourage expenditure on the desired heads especially when there is a requirement to match the grant by the local bodies' own effort.
3. However, specific grants cannot be used to check the inequities of local taxation and the irresponsibilities of local expenditure *vis-a-vis* the overall requirements of national fiscal policies.

³R. Mathews, *Fiscal Equalisation in Australia: Methodology of the Grants Commission*, Centre for Research on Federal Financial Relations, Canberra 1975, Reprint Series No. 10.

⁴P.B. Spahn, *The Financial Behaviour of State-Local Governments in Australia*, Centre for Research in Federal Finance, Canberra 1976, Reprint Series No. 25.

Once again, the conflict between respect for local democracy on the one hand and the urge to ensure different provision of certain services and the need to monitor overall local spending on the other cannot be resolved except with continuous negotiations, consultations and directives for achieving the overall national policies.

The other tradition amongst the developed countries as found in, for example, the U.S. or West Germany is much less elaborate and more direct. It assumes outright that local governments in their autonomy would take care of the basic functions and find the necessary resources for them under their own steam. On the other hand, the higher level governments have increasingly expanded the scope and size of specific grants meant for achieving particular functions at clearly stipulated levels. The policy is effective in achieving these aims; but it really rests on the assumptions that local tax bases are sufficiently large and elastic in yields to meet the growing expenses of a local body on its basic functions. Also, that it can do so without making politically unpalatable tax impositions on its local population. Nor is there much concern about the results that such local fiscal policies may have on the overall equity of the national fiscal system. All these assumptions are not always valid and indeed, even West Germany⁵ has had to revise this policy to certain extent by sharing with local bodies the receipts of some more elastic higher level taxes in return for a share in receipts of some less elastic local taxes.

THE INDIAN CASE

It is a part of the Indian tradition that any given institution when planted in the Indian soil acquires, through time, a distinctly local colour and character in each of the different parts of the country. The institution of local self-government was no exception. Probably because of these strong regional variations, it was considered prudent not to give constitutional sanction to any particular form of local government but leave the matter entirely to the discretion of state governments. Over the years since independence, the Indian scene has not remained unaffected by the growing world-wide concern for urban infrastructure and the externalities involved. The Indian urban population is also some of the most vocal in the country. Nevertheless, the Indian situation remains distinctly different in several important aspects from the picture that appears to be common in the developed countries. These are:

1. The combined expenditure of urban local bodies still constitutes a very small part of the total public expenditure in India. In

⁵P.B. Spahn, *Issues of Municipal Reform and the Future Role of Local Governments in Australia*, Centre for Research in Federal Financial Relations, Canberra, 1976, Reprint Series No. 14.

1976-77 it stood at only about 3 per cent⁶ and was much less than the comparable 1950-51 figure of around 9 per cent⁷ (Figures for 1976-77 are exclusive of Tamil Nadu). As against this, in the U.K., local bodies spend over a third of the total public expenditure in the country.

2. In spite of the general impression that local bodies are but creatures of the state governments, their dependence on grants from state governments is neither large nor expanding. In 1976-77 it was of the order of only about 15 per cent.⁸ Shared taxes give them another 4 per cent of their total revenue income. In 1951-52, local bodies used to get around 20 per cent⁹ of their revenue income by way of grants alone.
3. Moreover, as indicated in Table 1, that a particular local

TABLE 1 ROLE OF STATE GRANTS AND ASSIGNED TAXES IN URBAN LOCAL BODY FINANCES IN VARIOUS STATES OF INDIA 1976-77

| <i>States</i> | <i>Local bodies grants as percentage of total income</i> | <i>Local bodies assigned taxes as percentage of total income</i> | <i>Per capita expenditure of Urban local bodies</i> | <i>Per capita grants of Urban local bodies</i> |
|------------------|--|--|---|--|
| (1) | (2) | (3) | (4) | (5) |
| Andhra Pradesh | 20.43 | 4.77 | 62.97 | 10.93 |
| Assam | 8.07 | — | 35.46 | 3.54 |
| Bihar | 51.60 | 8.41 | 29.75 | 12.32 |
| Gujarat | 10.12 | N.A. | 83.12 | 7.04 |
| Haryana | 2.93 | 0.75 | 73.61 | 1.94 |
| Himachal Pradesh | 16.66 | — | 87.50 | 17.50 |
| Karnataka | 4.93 | — | 51.53 | 2.34 |
| Kerala | 5.59 | 8.62 | 32.97 | 1.68 |
| Madhya Pradesh | 16.17 | 20.78 | 54.91 | 13.13 |
| Maharashtra | 11.91 | 2.47 | 137.27 | 17.35 |
| Orissa | 29.98 | 29.26 | 51.00 | 15.22 |
| Punjab | 7.86 | — | 46.28 | 3.31 |
| Rajasthan | 10.36 | — | 53.11 | 5.73 |
| Tamil Nadu | N.A. | N.A. | — | — |
| Uttar Pradesh | 19.50 | — | 43.57 | 8.43 |
| West Bengal | 23.69 | 10.07 | 37.20 | 8.16 |

SOURCE: *Report of Finance Commission, 1978, Appendix IV 4 (i), p. 222.*

⁶India, *Report of the (Seventh) Finance Commission*, Delhi, 1978.

⁷Madhuri Bhargava, *Inter-governmental Financial Relations in India Since Independence*, Chaitanya Publishing House, Allahabad, 1976.

⁸Reserve Bank of India, *Reserve Bank of India Bulletin*, Bombay, 1978.

⁹India, *The Taxation Enquiry Commission*, Delhi, Vol. III, 1954.

body spends more on local services is not always dependent on its receiving relatively more grants. The span of activities undertaken by local bodies in a region is more of a matter of its traditions than of the support given by higher level governments

These developments can be partly explained by the fact that in a number of states, civic functions are being executed directly by departments of the state governments or semi-autonomous bodies appointed by them for the purpose. However, even in those states, there is a growing feeling that such arrangements are not always an undiluted improvement on the administration of those services by local governments. On the one hand, in a resource-scarce country, it is inadvisable not to fully exploit the traditional local taxes. On the other hand, ultimately, local citizens are the best watch-dogs of the performance of location-specific functions. Therefore, once again local governments are coming into fashion.

To revive the moribund local governments and also to support the active ones, most state governments are revising their grants policies. Several state governments have appointed expert bodies to advise them in this matter. Tamil Nadu¹⁰, Maharashtra¹¹ and Gujarat¹² provide some typical examples of the thinking on these topics during the 1970s.

THE GENERAL PATTERN

Apart from the several statutory grants that these governments are bound to give to local bodies, the Gujarat government alone gives a general purpose grant. Even then, at the rates at which this grant is given, a million-city would get only Rs. 3 lakhs per annum. The others have specifically rejected this idea. As the Maharashtra Municipal Finance Commission has remarked,

The Commission is not in favour of recommending to municipal Councils any basic per capita general purpose grant which is based on the sole criterion of population irrespective of their performance, purpose or source of revenue as the approach for recommending such a grant has in it hidden germs of eroding the self-reliance and independence of local bodies as self-governing institutions.

However, all state governments have accepted the responsibility of meeting part of the expenses due to the liability of the municipalities

¹⁰Tamil Nadu, *Report of the Municipal Finance Enquiry Committee*, Madras, 1973.

¹¹Maharashtra, *Report of the Municipal Finance Commission*, Bombay, 1974.

¹²Gujarat, *Resolution No. GIA-1076-1683-P-I of the Panchayats, Housing and Urban Development Dept.*, 1977.

for payment of dearness allowance to their employees: though this grant is also considered a specific one, it serves no particular function and is best lumped with the general grants.

All the state governments give several specific purpose revenue grants for functions like education, road maintenance, public health measures, maintenance of hospitals and clinics, etc. Some of the State governments accept the full or part-responsibility for payment of salaries of several technical officers to be employed by the local bodies with the approval of state governments. In addition, they give grants to municipalities for specific capital works and express their intention of giving support to local bodies for their maintenance. These grants are stipulated to cover the entire cost of the stated scheme or a given part of it. Interestingly, none of the governments try to set standards of costs of any schemes but accept whatever the actual costs are for the purpose of determining grants.

ASSUMPTIONS BEHIND IT

The reluctance about giving general purpose grants implicitly assumes that local bodies are capable of looking after their basic functions from their own resources. These basic functions include administration, tax assessment and collection, and at least some services like conservancy, preventive health measures, a minimum of water supply etc. Most of these services are not saleable and have to be financed out of general revenues. In order to cope with these liabilities, local bodies must have a fairly large and fast growing tax base.

The main municipal tax in India is the property tax. There is admittedly considerable room for improvement in the assessment of property tax base, but nobody would claim that in a country where housing activity is sluggish and rent control is an accepted policy, this tax would prove elastic enough to meet the continuously growing financial load of even the basic municipal functions. In spite of the considerable building activity and high rents there, the per capita rateable valuation of properties in the Bombay Municipal Corporation area has taken fifteen years to double. The collection of property tax there has grown at only 5 per cent per annum in last five years. On the other hand, Octroi, the only fairly fast growing local tax has been repeatedly condemned and may be abolished in the near future. In the absence of a general purpose grant therefore local bodies are likely to become moribund and non-functional. This is actually the case in several parts of the country. Giving them a dearness allowance grant in place of a general purpose grant then only means that higher level governments are callous about the general failures of local governments in providing services but cannot ignore their demands on behalf of their employees.

For the various grants, state governments usually determine the

share of each local body according to some fairly simple criterion; often it is its population size class. Municipal corporations are treated separately while amongst municipalities, the per capita quantum received is usually inversely related to the size class. For example, in Gujarat the per capita general purpose grant is given at 30 paise per capita to A class municipalities, 45 paise per capita to B class municipalities and 60 paise per capita to C class municipalities. This policy is followed both for revenue as well as capital grants.

Moreover, receipts of most of the grants are conditional on some aspect of municipal activities. For example, the Gujarat government does not cover the full liability for dearness allowance grants unless municipal bodies levy property tax at specified rates. For functional grants, all local bodies except the very small ones are first required to put in some of their own resources.

This bias in the devolution of grants against the larger municipalities is based on two assumptions. One, that population size has a positive effect on the resource-raising capacity of municipalities. Two, that it has a negative effect on their function-wise liabilities. However, in reality, in West Bengal and probably in all parts of the country, a municipality is better off only if there are industries located within its boundary. Large residential municipalities like Behala, Chinsura, Naihati or district towns like Midnapur or Burdwan all have an extremely narrow resource base. The location of one or two major industrial units would make a world of difference to any of them. On the other hand, a large population may very often entail additional expenditure on extra services if there are externalities due to particularly high or low density in certain areas. True, our very large cities house the country's richest people and its most lucrative economic activities; but it is also in these cities that there are large concentrations of appalling slums. Also, it is there that the expectations about civic services are the highest.

It still remains to be seen whether there are any significant economies of scale in the provision of civic services or that effective demand for them rises with the size of a city. Unless all these aspects have been satisfactorily checked, population cannot be used even as a neutral base for determining the quantum of grants to a particular municipality. For any grants formula to be fair, the criterion of population needs to be supplemented by some more sensitive indicators of the capacities and needs of local bodies.

Actually, while generalisations about state government policies regarding local finances do not have much validity in this country, there is one common trend to be noticed in all of these interrelationships. In the attitudes of the higher level governments, there is a curious mixture of a mistrust about the competence of local bodies to manage their own affairs along with a reluctance to initiate any major change in the latter.

Grants policy is therefore used only to correct marginal shortcomings of local administration when it becomes unavoidable but not to achieve any definite long-term design. This attitude, when coupled with the growing concern about civic services induces, even in recent studies on this matter, an uncomfortable sense of ad hocism.

THE PRECONDITIONS FOR GRANTS POLICY

The entire issue is in fact clouded over by the heritage of municipal government on the one hand and a lack of vision about their future role on the other. The resultant confusion makes it difficult for any state government to determine the direction in which local governments are to develop and the priorities that are to be promoted through such instruments as a grants policy. This contention would become clearer if the problems of such a policy are examined against its possible objectives that were discussed earlier.

The issue of local autonomy best illustrates this confusion. Throughout the 20th century, local self-government has played a crucial role in Indian politics and even today no political party can operate without a sound base in local government and employees. On the other hand, the Indian bureaucrats and technocrats also have their tradition of imperial contempt for local politicians: and funnily enough, they manage to inculcate it in the politicians when the latter reach higher levels of governments. Politically, no question of doing away with local governments once and for all or replacing them by state departments can ever be entertained. What is more, when it comes to a politically explosive issue like the protection of salaries of local employees, no state government can deny the demands of local governments; nor can they do anything about the existing commitments in the matter however irrational they might be. Yet state governments are extremely niggardly in surrendering to local bodies any taxing powers or letting the latter operate in their sphere without constant checks and cross-checks. Grants therefore are given only because they were given in the past however unpalatable the past might have been.

The weight of commitments to the past would not have been so important in grants policy had the quantum of grants been sufficiently large to leave a balance for drawing up a more rational framework. Here the problem is that, nowhere in India have the higher level governments any clear idea about the size or the composition of the bundle of minimum undeniable services that are to be given to urban citizens. In one sense, the country probably does not have enough resources to contemplate a programme of compulsory provision for all urban citizens of any civic service except perhaps safe drinking water. However, in spite of the attempts of experts bodies like the Zakaria Committee no government has yet been bold enough to prepare and stick to a clear-cut set of

priorities in the matter of welfare services to these people. This matter has become all the more difficult because there is a considerable pressure of world opinion in support of these demands from the well-informed vocal and militant urban citizens of our country. As a result, a lot of lip service is paid to some imported western ideas of about what is undeniable by way of urban services to all; but no higher level government takes the initiative in the matter. They merely accept what is actually done by some local government or the other. If a particular municipal body goes ahead and provides a fairly high standard of services to its citizens, it usually gets substantial support from higher level governments, a support much greater than what may be given to another municipal body under the jurisdiction of the same government where there are not even the rudiments of those services. Thus one finds growing disparities in standards of civic services between one municipality and another even when the matter is being financed entirely by the state government itself. There is really no policy about making the laggards catch up with the go-aheads or curbing the enthusiasm of the few progressive ones. A grants policy in such a situation is nothing but a rationalisation after the event, not a tool for guiding development into healthy channels.

Even when these philosophical problems have been sorted out, the difficulties that we saw in the case of the developed countries would probably prove even more intractable here. If local autonomy is to be preserved then the existing financial crisis in any municipality has to be dealt with no matter how extravagant it had been in the past. On the other hand, fairness demands that standards of services in backward municipalities be raised as soon as possible. These conflicting claims can be solved only if state governments substantially increase the total quantum of their grants for urban functions.

Moreover, no amount of goodwill towards local governments would remove the basic handicap that is faced by all experts on local finances. Given the general paucity of reliable data regarding the region-wise levels of economic activities and incomes distribution, it is very difficult to devise criteria for the unbiased measurement of the relative resource-raising abilities or needs of various local bodies. Even if the much-hoped-for centralised assessment of property values becomes possible for all municipal bodies, the question whether property values themselves are a good measure of the citizens' ability to pay or their effective demand for services would remain difficult to answer in the Indian context. And other suggestions such as a multi-point sales tax for local bodies still remain on paper because of the administrative difficulties envisaged.

Even more difficult is the problem of determining cost of provision of services with a reasonable level of efficiency. Although in theory it is possible to assess the relative influence of the several variables that could

affect costs of each service, at present there is such a large degree of variance in the existing equipment and techniques used by various local bodies for each service that estimates of standard costs become an academic exercise.

This is not to deny that a beginning cannot be made towards designing a rational policy of state-local financial interrelationship. What is basically needed is the will to face the issues squarely and not to engulf them in a cascade of political niceties and technical *non-sequiturs*. □

Fiscal Alternatives to Octroi

M. GOVINDA RAO*

‘OCTROI’ OR the tax on the entry of goods into a local area for consumption, use or sale therein has been variously characterised as obnoxious, vexatious, wasteful and distorting. It has been a subject of resentment practically by all sections of society—be it consumers, traders and businessmen or industrial interests. All the committees and commissions that went into the questions, and even those which were only indirectly concerned with the subject decried the tax in most vehement words. Curiously, in spite of such strong condemnations, the tax continues to be levied in most parts of the country and it forms the most important source of the finances of urban local bodies in the States where it is levied.

One of the important reasons for the continuance of Octroi, in spite of the consensus on its undesirability, has been the inability of the local bodies to find a viable alternative. The alternatives suggested by various committees do not seem to find practicability. It should be recognised that the suggested alternative should be free from the defects of Octroi but should have all its advantages—buoyancy, high rate elasticity, liquidity and lower spite effect. Thus, the suggested alternative should not merely compensate the revenue loss from the abolition of Octroi, but also should grow at least at the same rate, should not aggravate the ways and means position of the local bodies and should be capable of being easily diffused on the community.

In fact, the demand for the removal of Octroi is not meaningful unless a viable alternative for the levy is found. It should be recognised that at the State-local level, the vertical fiscal imbalance is all the more glaring and the gap between revenue capacities and expenditure needs of the local bodies is rather enormous. Zakaria Committee which went into this question as far back as 1963 estimated the gap between the needs and resources of the urban local bodies on the basis of certain norms. According to its estimates, the resources of the local bodies were

*The views expressed in the paper are the personal views of the author and not of the institution where he is employed.

sufficient to finance only a little over one-half of the needs in the country as a whole. The urban local bodies in the States of Jammu & Kashmir, Orissa and Rajasthan were at the lower end with their resources capable of financing only a quarter of their expenditure needs. At the other end were the urban local bodies in the States of Gujarat and Maharashtra which could finance as much as three-fourths of their needs. It was also inferred that the gap was smaller in the case of local bodies levying Octroi.¹ Suggestions to abolish Octroi without providing for an alternative source to compensate for the revenue loss would only further aggravate the ailing resources position of the local bodies.

WHY SHOULD OCTROI BE ABOLISHED?

As mentioned earlier, Octroi has the advantages of buoyancy, high rate elasticity and liquidity. Besides, the illusion element present in all indirect taxes makes this politically acceptable. But, the inherent harmful effects of the levy far outweigh these advantages and therefore its abolition has been vehemently argued.

Almost all the committees have made a long list of undesirable effects on the economy in great detail. Their arguments may be summed up as involving: (i) excess burden, (ii) unscientific assessment of the tax, and (iii) cumbersome procedures leading to harassment of the taxpayers and widespread corruption.

'Excess burden' of the tax or its unintended interference with the economic activities may be said to arise because of various reasons. The hindrances imposed on the smooth flow of goods and traffic to various parts of the country is said to involve enormous production losses. The research division of the Ministry of Transport and Shipping estimated that the burden on the community amounts to as much as five to six times the amount of the tax collected. Unintended burden is imposed also when a substantial proportion of the tax is collected from intermediate goods and machinery. In Gujarat, for example, almost 43 per cent of the revenue from Octroi levied by municipal corporations is derived from intermediate and capital goods. This leads to cascading, multi-taxation, distortions in the cost structure and thereby, resource allocation.² Besides, this leads to vertical integration of industries with its undesirable consequences. Moreover, the levy leads also to the concentration of industrial units in bigger cities and towns due to both demand and supply factors. Cities being major centres of demand, it is beneficial for the firms to locate inside their precincts to avoid Octroi

¹See Central Council of Local Self-Government, *Augmentation of Financial Resources of Urban Local Bodies*, New Delhi, 1963; Mahesh Bhatt, "Is There a Case for Abolition of Octroi?", *Nagarloka*, Vol. IX, No. 4, 1977.

²See, *Report of the Gujarat Taxation Enquiry Commission*, Government of Gujarat, 1980.

on their products. From the supply side, the externalities prevailing in the major cities create cost advantages. Through the levy of Octroi, bigger cities are able to export part of the incidence to the residents of smaller cities and towns. The net income drain in favour of bigger cities enables them to provide better standards of local public services at cheaper rates. Added to this, the economies of scale in the provision of these services also tend to keep the unit cost of these services low. These in turn provide external economies to the manufacturers resulting in the concentration of industries in bigger cities. This gives rise to unbalanced growth of the regions. Thus, the imposition of Octroi results in substantial production losses, unbalanced growth, distortions in the cost structure and inequities of various kinds.

One of the basic objections against this levy in a modern fiscal system is that it is assessed perfunctorily, on the basis of trust. The taxes are collected from the transporters of goods. If assessment has to be made properly, thorough checking of the goods vehicles is necessary. But this results in a lot of inconvenience to the transporters besides causing inordinately long delays. If the delay is to be avoided, assessments will have to be made merely on the basis of the declaration of the assessee. There are no pre-collection or post-collection documents, books of accounts or stock goods to rely on while making assessments. Thus, the assessment is made in most of the cases merely on the basis of trust which, besides other things, opens up vistas for collusion of the tax officials with the assessees. No scientific assessment of the tax is possible and further this discriminates against the honest tax payers. On this ground, it could be argued that the levy should not find a place in the modern fiscal system.³

Equally important is the problem of harassment to the transporters. This is particularly true when the refunds are claimed. Refunds are claimed when the commodity is re-exported within the stipulated period. Though this in principle should not be difficult, in actual practice, the transporters are put to a lot of harassment, and this also becomes a prime source of corruption.

It may be argued that some of the taxes levied by the States too are subject to the same weaknesses. Even the sales tax can be faulted on many of the grounds, on which Octroi has been found to be wanting. While this is true, the differences in the extent of distortions which Octroi generates alone is sufficient to single out this levy for the purposes of abolition. In fact, the levy as it exists in the present form cannot be justified and its outright abolition is suggested as it

³See, *Report of the Gujarat Taxation Enquiry Commission*, Government of Gujarat, 1980, p. 334.

is felt that any extent of reform would not remedy its weaknesses.⁴

ALTERNATIVES TO OCTROI

Any feasible alternative to Octroi should have the following characteristics:

- (i) it should be free from the major defects of Octroi;
- (ii) the yield of the proposed alternative should be adequate to compensate the loss of revenue foregone by the abolition of Octroi and it should grow at least at the same rate;
- (iii) it should be capable of being administered easily by the local bodies which do not have advanced organisational set-up; and
- (iv) financial viability and independence of the local bodies should not be materially weakened. It should, however, be remembered that this can be observed only in a limited way as, the local bodies, as such do not have independent tax powers and derive them from the State Acts.

Many of the committees that went into the question of abolition of Octroi did suggest some alternatives⁵ and generally these fall into two groups:

- (i) those leviable by the local bodies but to be collected either by the local bodies or the States; and
- (ii) those leviable and to be administered by the States.

The taxes that fall into the first category are: (i) municipal sales tax, (ii) municipal turnover tax, and (iii) municipal surcharge on sales tax. In the second category the suggested alternatives are: (i) turnover tax, (ii) additional sales tax, and (iii) surcharge on sales tax. The entry tax which was introduced in Madhya Pradesh in 1976 when Octroi was abolished also falls into the second category.

Municipal sales tax does not seem to be a satisfactory alternative for many reasons. First, as the levy has to be at the retail level, the

⁴Pillai (1971) justifies the retention of Octroi as a regulatory device to minimise externalities of pollution, increased cost of public services, congestion and imbalanced development in bigger cities. But the evils of the levy are so many and the modifications to overcome these are so difficult that it should be preferable to resort to other regulatory policies instead of employing this fiscal instrument for the purpose, Velayudhan Pillai, "Octroi Taxation: A new Economic Rationale", *Nagarloka*, Vol. IX, No. 4, 1977.

⁵For discussion on this see, Abhijit Datta, "Abolition of Octroi and Compensation to the Local Authorities", *Nagarloka*, Vol. IX, No. 4, 1977.

local body will have to deal with a large number of small dealers which would be beyond its capacity. Second, the dealer also will have to keep separate accounts of the sales inside and outside the local area. As the sales outside the local limits are not subject to municipal sales tax, easy loopholes for evasion is provided. Third, trade and business will now have to deal with two sets of officials. With regard to municipal turnover tax, in addition to some of the problems mentioned above, there would be the problem of cascading as it would be a multi-point levy. As regards municipal surcharge on sales tax, as many of the manufacturers and traders are located in larger cities and towns, a lion's share of the proceed will be received by them which would cripple the already strained finances of the local bodies in smaller places.

Equally important is the fact that the base of these levies would be narrower than that of Octroi. This is because the base would not include the declared goods and the goods subject to additional excise duty in lieu of sales tax. This is true also of the alternatives suggested under the second category. In this case, in addition to this, the local bodies do not have any manoeuvrability. Further, it should be noted that in our search for an alternative, excessive reliance on sales taxation would not be beneficial in the long run for, this restrains the field of the State government in their future resource mobilisation efforts. It would be preferable to keep this tax handle of the States unencroached by the local bodies.

In this light, the entry tax introduced in Madhya Pradesh seems to have fulfilled much of the expectations and, therefore, is worth the trial in other places also, as an alternative to Octroi. This is a single point tax levied by the State on the entry of goods into local areas, the net proceeds of which are passed on to the Octroi compensation fund. Grants are paid to the local bodies and each local body gets the amount of grant equivalent to the yield of Octroi in 1975-76 enhanced by 10 per cent for each subsequent year.

Entry tax is a levy at a single point on the first entry of goods into local area and payable by the dealers liable to pay the sales tax under the States Sales Tax Act.

The goods covered under the tax is enumerated in three schedules. Schedule I enumerates the exempted goods. Generally, these correspond with the goods exempted under the Madhya Pradesh Sales Tax Act excepting sugar, textiles and tobacco, which are put under schedule II of the entry tax. Schedule II in addition covers the goods of special importance declared under section 14 of Central Sales Tax Act, 1956, as these taxes are leviable on the entry of goods into a local area for consumption, use for sale therein. Schedule III consists of residuary goods and the tax is payable on their consumption or use but not sale;

on the sale of these goods additional sales tax is leviable, 60 per cent of the net proceeds of which is also put under the Octroi compensation fund.

In some of the States like Maharashtra, where the revenue from Octroi is substantial, the rate of entry tax may have to be kept very high in order to adequately compensate the local bodies for the abolition of Octroi. This may not be desirable and would not create a situation sufficiently flexible in yielding revenue in the years to come. Besides, by abolishing Octroi, the local bodies would lose a tax handle which they could have used more intensively as and when necessary. It would thus seem necessary that in addition to the levying of entry tax in the place of Octroi on the lines of Madhya Pradesh, the local bodies should be provided with an alternative tax handle. Equally important is the larger question of meeting the expenditure need of the local bodies more adequately to provide reasonable standards of public services. In this regard it would seem to be worthwhile to consider transferring of the power to levy entertainment tax to the local bodies so that they are provided with the handle. Such an arrangement already exists in Kerala. This in addition to bolstering the strained resource position, would provide an alternative tax handle to the local bodies and enable them to provide reasonable standards of public services. □

Municipal Finance and the Levy of Property Taxation

P.S.A. SUNDARAM

THE ACUTE shortage of resources in relation to urban growth is obvious and yet not fully grasped. For a country with low levels of income in relation to the heavy costs of providing urban services, the squeeze between the two constraints has become intense. Large investments are needed for housing, transport, water supply, sanitation, health services, garbage collection and other urban services. It is necessary to adopt a comprehensive and integrated approach for financing urban development. During the successive five year plans it has not been possible for the Planning Commission to allocate significant funds for urban development in order to repair the deficiencies in various items of infrastructure and the outlay has averaged to 3 per cent during the various five year plans. Given the constraint on allocation of resources by the Central or State Governments for financing the various urban development schemes, the importance of mobilisation of resources by the urban local bodies has been realised by the Government and the Planning Commission. The problem is one of shortage of funds not only for undertaking capital investment, but even to maintain the level of civic services at tolerable levels. It has been recognised that it is essential to strengthen the local bodies financially and organisationally.

The Sixth Five Year Plan lays emphasis on an integrated urban development policy devoted to the proper development of small and medium towns in order to reduce the rate of migration to the large cities and to enable these towns to subserve the rural hinterland. It has been recognised that our plans for the next few years must include a substantial component of investment in our urban areas (especially small and medium towns) in order to serve the interest of the rural areas surrounding a town and to make the life of the urban dwellers more tolerable. The investment proposed for urban areas in the State and Central sectors to the extent of Rs. 200 crores for the development of these towns during the Sixth Plan period can, however, at best supplement the resources of the local bodies. It has been envisaged that

substantial amounts would be raised by the local bodies for essential investment to augment the existing infrastructure—water supply, sanitation, etc. Even if the capital funds are provided to the local bodies by institutional sources, they will have to augment their resources for the purpose of debt servicing and maintenance of assets. It has been estimated that the local bodies will have to increase their revenues to the extent of 10 per cent of the capital investment made each year in order to ensure proper maintenance of system of water supply, sewerage, roads, street lighting, markets, etc.

A number of committees have reported on measures necessary for augmentation of resources of the local bodies by better exploitation of existing tax resources and by developing additional tax resources. These recommendations include the rationalisation of property tax, developing suitable alternatives of *octroi*, proper collection of various service charges, such as, water tax and improvement of administration and collection of taxes. It has also been felt that an overall view on the financial need of the local bodies in the light of the needs of urban development and a stable policy for subvention by the State Governments to local bodies by way of tax shares, assigned taxes and grants-in-aid have to be worked out.

It is against this background of the need for effective mobilisation of resources by local bodies that the role of property taxation has been looked at by the Government of India and State Governments for the last many years. Unlike in the foreign countries, the grants component of urban local finance has been meagre, and even capital assistance by way of loans has been insignificant. According to an exercise made recently by the Town and Country Planning Organisation, the tax income accounted for 62.5 per cent of the total income of large number of local bodies in 1975-76. In the case of Amravati in Maharashtra, the tax income accounted for 60.36 per cent while the grants accounted for 38.07 per cent of the total income. The tax percentage was, however, 76.33 per cent in the case of Aligarh, 84.80 per cent in the case of Rajkot, 69.31 per cent in the case of Khandwa and 60 per cent in the case of Salem. The two major components of the tax income were the property tax and the *octroi*. The relative proportion of these two items varied widely depending on whether *octroi* was levied in the State or not. The percentage of property tax income in the total tax income varied from 10.75 per cent in the case of Amravati, 36.71 per cent in Aligarh, 45.72 per cent in Mysore, 22.62 per cent in the case of Rajkot, and 99.25 per cent in the case of Salem. The proportion of *octroi*, on the other hand, varied from 85 per cent in the case of Amravati to 0 per cent in the case of Salem. While *octroi* is a fairly elastic source keeping pace with the growth of income in the urban areas, it was found that there is considerable scope for expansion in the revenues realised

from the property tax. It was found that the revenue from the property tax is dependent on three major points:

- (a) the levy of the tax, its rates and limits of exemption,
- (b) proper assessment and its regular periodic revision, and
- (c) proper collection.

These aspects may be discussed a little more elaborately. While the elected bodies are generally averse to the levy of property taxes and upward revision of rates, the State Governments also cannot escape the blame for the low rates of levy. The present system for the levy and increase of rates of property taxes requires, in most States, a lengthy and dilatory procedure of passing resolution, inviting objections, seeking State Government sanction for every levy or increase, and final notification before the rate is enforced. It is not unusual for the levy or revision of rates to take 2 or 3 years or even more. In most Municipal Corporations, the rates can be raised every year by the Council within certain limits and notified. Some of the Acts prescribe the maximum limit of taxes which is as low as 12 per cent under the Punjab Municipal Act. In some cases the rate of tax is fixed by notification by the State Government as in Rajasthan. The matter of greater anxiety is, however, the practice adopted in some States to raise the limit of property tax exemption or of exempting a number of items from *octroi* unilaterally. The exemption limit is as high as the annual rental value of Rs. 1,800 in M.P., Rs. 840 in Punjab, Rs. 360 in U.P., while there is no exemption at all or it is only nominal in most States.

As regards the rate of property tax, there is considerable variation in the rates of property tax levied in different States. The rates are generally high in Kerala, Tamil Nadu, Andhra Pradesh and Bihar varying from 25 to 40 per cent. The rates are also quite high in Ahmedabad and Bombay. It would be necessary to remove the restriction on rates of taxes in the form of maxima and exemptions limits and simplify the procedure for obtaining the sanction of the State Governments for changes in property tax. In fact, the State Government should insist on the local bodies imposing a house tax to have a rate of at least 15 per cent and make payment of grants and other assistance conditional on this, as per the practice adopted in Gujarat. It is, however, recognised that high rate of property taxes and *octroi* will not maximise revenues in the absence of proper and regular revision of assessment of annual value of properties. In Bihar and in some other eastern States the holding tax rates are pretty high, but, generally speaking, the assessments are 15 or 20 years old so that in effect 40 per cent rate may be no better than 10 per cent on current assessment. There is a lack of technical expertise

and assessment is often an *ad hoc* exercise even when the elected members are precluded from hearing objections and fixing the final annual rental value. Only a few major municipal corporations in Maharashtra and to some extent in Madras, have a regular department which has been accumulating the necessary expertise on a continuous basis. The necessity of a valuation machinery has of late been recognised by a number of States.

The collection percentage varies from 30 to 80 per cent and it is more often around 50 to 60 per cent. The whole question of levy, collection, assessment is related to the organisational structure and management of the urban local bodies. It was found by the Task Force on Small and Medium Towns that unless the accountability of the chief executive (elected or permanent) to the Council is secured and professionally competent cadres are developed and built up, it is not possible to ensure effective functioning of the local bodies both for resource mobilisation and for discharge of their functions.

In the context of the need for mobilising adequate resources by the local bodies for undertaking urban development schemes, the Government of India and the State Governments have been concerned with a number of aspects relating to property taxation. First is varying degree of property taxation in the total revenue of local bodies. The second is the varying provisions in the municipal Acts governing property taxation in different States and Union Territories. These variations relate to composition of property tax, compulsory nature of the taxes, the statutory specification of limits on rates of the tax, provision for progression in the rates, exemption limit for taxation, etc. As regards the nature of levy of the tax there are also variations relating to the machinery responsible for assessment, levy and annual collection of the tax. The problem has been further compounded by the fact that the entire structure of local finances and municipal taxation has been subjected to scrutiny and certain degree of reform has been initiated on account of formulation and implementation of projects with assistance of the World Bank in cities, like, Madras, Bombay, Calcutta and Kanpur for multi-sector urban projects, as well as for water supply projects in the States of U.P., Maharashtra and Rajasthan. The implementation of these projects has thrown up limitations in the collection of property tax for mobilisation of municipal resources of the order required under the covenants of the agreement with the World Bank and also legal inadequacies on account of a consolidated property tax, including both house tax and water tax. This is apart from the general problem of the limitation in the revaluation of rateable value on account of the provisions under the Rent Control Act and the judgements of the High Courts and the Supreme Court in this regard.

On the question of variations in the different municipal legislations,

it is found that property tax is generally composed of general house tax, water and drainage tax, lighting tax and scavenging tax. Separate taxes for buildings and lands are found in the municipal legislations of Haryana and Himachal Pradesh, while some municipal legislations provide for a consolidated property tax with no split-up. The house tax is usually compulsory and the other elements of the property tax are either discretionary or compulsory. There are some municipal legislations, like the Gujarat Municipalities Act and the Himachal Pradesh Act, where the tax on building and land is discretionary. A number of States did not provide for statutory specification of limits on rates of tax while some legislations provide for statutory maximum limit on individual tax. Most municipal legislations, do not provide for progression in the levy of property tax, exceptions being Andhra Pradesh, Kerala and Punjab, the city corporation Acts of Hyderabad and Calcutta. Most municipal legislations provide for a range of annual rent below which the property is exempted from tax. As regards levy on the actual rates, the rates vary considerably, as mentioned earlier. The composition of the house tax, water tax, drainage tax, street-lighting tax, etc., also varies from State to State and from one municipality to the other within the same State. There appears to be no relation between the economic strength of the town and the extent of tax burden borne by the tax payers within the municipality in the same State. The tax burden borne by tax payers in smaller municipalities is sometimes much higher than those borne by the corporation town in the same State. The tax rates also do not bear any relation to the level of civic services provided by the municipalities to their citizens, nor to the level of economic activities or demographic characteristics. This leads to the unfortunate consequences that, to the extent the investor takes into account the rates of property tax prevailing in different towns for locating foot-loose economic activities or that extent the town does not attract enough investment. No conscious attempt seems to be made to correct the distortion in present distribution of property tax rates as between urban areas in different States with reference to the policies for dispersal of economic and commercial activities. This also has importance for policies to augment the revenues of municipalities in order to enable them to maintain the assets that are built up over the years and to render day to day services with higher efficiency. The difference in tax rates of the municipalities and their lack of relationship with the level of civic services also has implication for evolution of criteria for distribution of grants-in-aid by the State Government and for formulation of a system of municipal grants-in-aid on the pattern of the U.K. or the Netherlands.

The other issue arises from the insistence of donor agencies on the separation of water and sewerage taxes from property taxation in order to ensure that water and sewerage systems operate on a self-financing

basis and that the general revenues from property taxation are not used to subsidise the water supply system. It is insisted that a separate fund for water supply and sewerage should be maintained by the municipal corporations, built-up out of the water and sewage tax, and the objective would be that these revenues not only cover operation costs, depreciation and debt servicing, but also generate a surplus sufficient to realise a rate of return ranging from 2 to 6 per cent on the net fixed assets. This requirement calls for not only legal provisions to enable the levy of water and sewage taxes separately but also for a system of assessment and levy which is related to the consumption of water by the beneficiaries. Unfortunately, in most urban areas, metering of domestic water connections has not taken place and even where this has happened, the levy of water tax is often related to the annual rateable value of properties rather than the consumption of water. Some urban areas in fact operate a double levy system related both to the rateable value of properties and consumption of water as measured by the meter. The problem is being experienced in the case of UP where the municipal legislation provides for levy of consolidated property tax including house tax, water tax and drainage tax with ceiling of 25 per cent. The State Government enacted a legislation some years ago providing for the establishment of Jal Sansthan for the 5 KAVAL towns and a number of regions for administering water supply and sewerage system on a decentralised basis. These Sansthans are legally empowered to levy water and sewage taxes at the rates prescribed in the Act.

The successive committees appointed by the Central Council for Local Government and Urban Development and the Ministry of Works and Housing have focused on the question of the basis of assessment for the purpose of levying property tax. Under most municipal enactments, the basis of assessment for the purpose of levying property tax is the annual value or rateable value of lands and buildings supplemented by the capital value as an alternative for assessment. The majority of the legislations defines annual value as the gross annual rent at which the land or building may reasonably be expected to be let from year to year, less an allowance for the cost of repairs and other expenses necessary to maintain such land or building in a state to command such gross rent. However, the legislations in Maharashtra, Haryana and Punjab provide that, if the amount for which lands or buildings are actually let is greater than the amount for which they may reasonably be expected to be let, the actual rent is to be taken as the basis of assessment. However, the provisions in the Rent Control legislations have created difficulties in the matter of assessment of annual value for the levy of property tax. Rent Control legislations have been enacted with the primary objective of giving protection to the tenants against exorbitant rents and indiscriminate eviction by the landlords and

hence the legislation provides *inter alia*, for the determination of fair rent which a tenant is liable to pay to his landlord. The provisions in the Rent Control legislation also varies from State to State. While some prescribe a base year and provide for permitted increase in rent, others do not prescribe any base year or reference day. They also provide for different methods for different classes of premises within the same State. Since the assessment of annual value for the levy of property tax is based on the annual rental value of lands and buildings, with the coming into force of the rent control legislations with provisions for the fixation of fair rent, the question arises whether assessment should be based on fair rent chargeable under the Rent Control Act or whether the reasonable rent could be determined independently for this purpose. A number of municipal bodies sought to rely upon hypothetical rent for the purpose of assessment, namely, the amount at which the property is expected to be let. The matter was agitated in a number of High Court and Supreme Court cases. In the recent judgement of the Supreme Court in Dewan Daulat Rai Kapoor case, the Court has not only reiterated the principle laid down by it earlier that the annual value of a building governed by the provisions of Rent Control legislation could not exceed the fair rent or standard rent as defined under it, but also extended the principle still further by holding that, even in the case of a building in respect of which no standard rent had been fixed within the prescribed period of limitation or where the building was self-occupied, the annual value must be limited to the measure of standard rent determinable under the Rent Act and the same could not be calculated on the basis of a higher rent actually received or receivable by the landlord. In order to remedy the situation, the alternatives are either to amend the relevant provisions in the Rent Control legislation so as to make the fixation of fair rent more pragmatic and real or to amend the property tax provisions in the municipal enactments so as to free the determination of annual value from the restrictive influence of the Rent Control Act. A special committee constituted by the Government of Maharashtra some years ago, contemplated suggestions for amending the municipal laws in order to change the definition of annual value so as to isolate the provisions of Rent Control act and to make the occupier liable to pay the property tax. It was felt that the municipal body may be permitted to assess the annual value of the property and increase the annual value in proportion to the rate of increase in the market rent since the period of last valuation. The increase in the property tax burden was, however, to be borne by the tenant or the occupier. For this, it would be necessary to implement the recommendations of the Rural-Urban Relationship Committee that specific provisions be made in all municipal Acts that the valuation shall be made on the basis of annual rent at which property is reasonably expected to be let

or the actual rent, whichever is greater. The proposed amendment in the Delhi Municipal Laws (Amendment and Validation) Bill, 1980 which is now before the Parliament, seeks to amend the relevant provisions in the Punjab Municipal Act, 1911, as in force in New Delhi, and the Delhi Municipal Corporation Act, 1957. By the amendment, the determination of annual value under these two Acts is sought to be based on the actual rent received or receivable or the standard rent, whichever is higher, notwithstanding anything contained in any other law for the time being in force. The Zakaria Committee (1963) had recommended that either an imposition of a surcharge of 25 per cent be made on the existing property tax, the burden of which should be shifted on to the tenant or to make suitable amendments in the municipal as well as the Rent Control Acts to enable recovery of the difference between the property tax based on reasonable annual rental value and that based on the standard rent from the owner but allow him to recover the same from the tenant as arrears of rent.

Both the Local Finance Enquiry Committee and the Taxation Enquiry Commission opposed any change from the base of rent to the base of capital value. This approach is now used in respect of valuation of State Government properties in a number of States. An alternate approach was tried out by a Committee appointed by the Central Council of Local Self Government held in October, 1975 and it suggested some guidelines for the assessment and collection of property tax in their report submitted in 1977. They suggested that the State Government may consider the replacement of the existing criteria by the following in respect of property taxation:

- (i) Cost and year of construction of the property,
- (ii) Plinth/covered area,
- (iii) Land-use and the use to which the property has been put to, and
- (iv) General level of services provided by the local bodies.

The value of the property enjoyed by the tenant/owner should be based on these objective criteria and not on the annual rental value as is the case in most of the local bodies. For this purpose, the local bodies may categorise properties into residential, commercial, industrial, recreational, public utility, with reference to the usage of the property. It was further suggested that the properties should be categorised keeping in view the location, *i.e.*, remote, central, industrial or commercial, including shopping area for the purpose of determining the property tax. It was recommended that the incidence of the property tax should be on the owner. In the case of rented properties any increase in the quantum of tax as a consequence of re-assessment will have to be borne

by the tenant, while the owner will continue to pay the property tax as leviable at present. This alternate approach, however, requires legal sanction for adoption since otherwise the assessment may be held illegal by the Courts. The consultants appointed by the Government of Tamil Nadu regarding the basis for assessment and levy of property tax in Madras have made suggestion on the lines suggested by the Sub-Group, and the State Government is examining these recommendations.

Given the fact that the property tax accounts for a considerable proportion of the total revenues of the income of municipalities in different States and the adverse features of the *octroi*, the execution of urban development schemes through major capital expenditure by the municipalities and also proper maintenance of various assets calls for urgent reforms in the structure of property taxation based on a consensus on the composition, rates, exemption limits, machinery, etc., regarding property tax. □

Property Tax Structure in the Calcutta Municipal Corporation Bill, 1980

K.S.R.N. SARMA

THE CALCUTTA Municipal Corporation Bill, 1980 recently passed by the West Bengal Assembly is generally acclaimed for many an innovation incorporated. In this note an attempt is made to appraise particularly the proposals in respect of property tax rate structures. A novel feature of the proposals is the adoption of 'straight line method' for the fixation of tax rates for properties with different annual valuations. It is proposed that all properties with annual valuations of Rs. 600 or below would be paying property tax at the uniform rate of eleven per cent and, similarly, the properties with annual valuations of Rs. 18,001 and above would be paying the property tax at the rate of forty per cent. But in the case of properties with annual valuations of in-between range (Rs. 601 to Rs. 18,000) the rate applicable is worked out by dividing the annual valuation by six hundred and adding ten to the quotient thus obtained, adjusted to the first-decimal place. This method is proposed to replace the existing 'slab system of rates' where the properties are divided into five broad categories according to their annual valuations, as Rs. 1,000 and below; Rs. 1,001-3,000; Rs. 3,001-12,000; Rs. 12,001-15,000; and Rs. 15,001 and above, and the rates of property tax applicable in these cases are 15 per cent, 18 per cent, 22 per cent, 27 per cent and 33 per cent respectively.

The second important proposal is the application of property tax at concessional rates on properties situated in the slums. At present the properties in *bustis* (slums) where the Calcutta Metropolitan Development Authority (CMDA) has not carried any improvements are subject to property tax at the rate of 15 per cent provided the annual value is Rs. 1,000 or below and at 18 per cent in case the annual value exceeds Rs. 1,000. Under the new proposals, all properties improved under the West Bengal Slum Areas (Improvement and Clearance) Act, 1972, would be subject to property tax at the uniform rate of eighteen per cent and the properties in the other *bustis* at the lower rate of fifteen per cent. Similarly, the houses constructed for weaker sections, industrial workers,

etc., under various promotional schemes of the public agencies, such as, CMDA and the State Housing Board would be subject to property tax at the uniform concessional rate of twenty-one per cent. At present this type of concessional rate (*i.e.* 21%) is available only in respect of properties belonging to the Calcutta Improvement Trust.

The third important feature of the proposals is the attempt at the application of differential tax rate in respect of residential properties in terms of whether they are owner-occupied or rented. It is proposed that all the owner-occupied residential houses would be entitled for a discount on valuations on a sliding scale from thirty per cent to one per cent, before the fixation of the tax rate.¹ The discount rate is worked out starting with the maximum of thirty per cent for the properties with annual valuations of Rs. 600 and below, reducing the rebate by one per cent for every six hundred rupees increase in the annual value and finally to one per cent rebate on annual valuations of Rs. 18,000 and above. This rebate is, however, subject to the condition that the total covered area of the premises owned or occupied by the rate-payer does not exceed one hundred square meters.

Properties with annual valuation of Rs. 300 or below are completely exempt from the tax. At present only the properties with annual valuations of Rs. 50 or below are exempt from the tax. As regards the properties which are used for commercial and non-residential uses, they would continue to be subjected, as at present,² to a surcharge in addition to the property tax otherwise applicable. The rate of surcharge could vary at the discretion of the Corporation, but would not exceed the ceiling of fifty per cent.

The fourth important feature of the proposal is the rebate of 25 per cent to be granted to all newly constructed residential houses for the first three years.

In addition to the above, there are other provisions that are common in most other municipal legislations in the country, such as, a rebate of 4 per cent for timely payment, application of concessional rate of property tax on properties of Central and State Governments and of social service and charitable institutions, etc.

From the statements of the West Bengal Minister for Local Government and Urban Development made at a recent Press Conference on the present Bill,³ it appears that the two major strategy planks of the present

¹We are given to understand that through an unwritten convention, the owner-occupied properties are given a rebate up to 25 per cent in assessments. But that arrangement is purely informal.

²It is reported that this surcharge is not being collected as the matter is still under *sub judice*.

³"Press Conference on Calcutta Municipal Corporation Bill, 1980" *The Calcutta Municipal Gazette*, Vol. XCVIII, No. 4, May 17, 1980.

proposals are to promote equity in tax incidence among the different sections of property owners and, at the same time, improve revenue mobilisation capabilities from property taxation. It is claimed that the proposals, particularly the 'straight line system' would, while helping to provide tax relief to about 90 per cent of the rate payers of Calcutta, boost up the revenues by an estimated Rs. 1.6 crores. Before taking the revenue implications for detailed examination, a few general comments on the overall framework of the proposals may be made.

Unlike most other municipal legislations in the country, the present one has incorporated many a detail of the tax, *viz.*, rates, concessions, etc., in respect of different categorisations of the property owners. *Apriori* there seems to be an under-current of apprehension that unless statutorily directed, the municipal elected executive would generally be shy to keep the tax rates sufficiently high to generate the required revenues. The experiences under some of the municipal legislations lend support to the above line of argument. Even then, the desired objective could still be ensured through statutory fixation of minimum rate. There does not appear any need to have an elaborately spelt-out tax rate structure incorporated in the statute as has been done in the present case. In any case, one thing is very apparent; that the policy-makers have grossly under-estimated the implications of spelling out too many details of the tax rates in the statute *vis-a-vis* the local initiative in the matter of revenue mobilisation. Under the framework proposed, the local authorities are not left with much elbow room to manoeuvre the tax rates to the best of their judgement about the composition of the properties and the variations thereof from time to time. Whenever a change is felt warranted, the Corporation has to go through the time consuming process of getting the required amendments to the Act passed by the legislature. This would more likely than not, dampen the local initiative. The strategy is clearly against local self-governance, which is stated to be the prime objective of the present legislative reform. Incidentally, a point that may be pondered over in this connection is whether statutory prescription is the only answer to get the required compliance from the municipal bodies or the objectives could also be accomplished effectively with other administrative means, such as, grants allocation, etc.

Apart from spelling out many a detail in the statute, the approach also displays a marked preference for the rate structure to play the role of a prime mover in the efforts to achieve the revenue mobilisation and the equity objectives. An indication to this effect is clearly discernible from the statement of the honourable minister for local government and urban development at the press conference already referred to, that the proposed rates would enable extension of tax relief of varying degrees to as many as ninety per cent of properties and, at the same

time, facilitate the generation from the remaining tax base (of bigger properties) sufficiently large revenues to have a net addition of Rs. 1.6 crores.⁴ This proposition might possibly come to be true in practice. But it is on the assumption that there would not be any significant changes in the distribution pattern of annual valuations of properties. The latter could manifest in either of two ways, through under assessments or by fictitious division of properties. In the situations where property rental markets are shewn with all sorts of imperfections, such as the one resulting from rent control legislation, whatever be the improvements brought about in the assessment procedures to overcome them, the scope for under assessments cannot be eliminated altogether. Further, it can also be reasonably assumed that as the annual valuation increases the pressure that the rate payer concerned might be exerting for getting under-valuation to mount up, for the stakes involved are generally very high. There is not only the municipal property taxation to be reckoned with, but there are also the State Governments' multi-storey buildings tax, and the Central Government's income and wealth taxes, all falling on the same tax base. In fact the scope for under-assessments seems to have been implicitly accepted in the statute. Otherwise, it is beyond one's comprehension as to how a property owner can pay as high as forty to sixty per cent⁵ of his rental income towards municipal property taxation alone. If the scope for under-assessment is accepted, then it would not be logical to expect the distribution of valuations of properties to stay stationary when the tax rates are steeply increased, particularly in respect of properties with higher valuations. Supposing the assessments were significantly improved and they reflect a much truer picture of the real market situation, then still there is the possibility of property owners resorting to some fictitious divisions (as has happened in the case of land ceiling legislations) if only that can help to reduce the property tax liability. This might sound theoretical proposition but the ingenuity of ways that the tax dodgers are often found to employ, does not make one to rule out this possibility altogether. In any case, to expect the distribution of annual valuations to remain stationary after the steep hike in the tax rates, would only amount to the ignorance of compulsions generally found to be operating at the field level. When the distributional pattern is affected, the validity of the estimates of revenue could also be questioned on that count. The reliance placed on the rate structure thus seems to be a bit excessive. In this connection it may be apt to quote the Direct Taxes Enquiry Committee which observed that

⁴"Press Conference on Calcutta Municipal Corporation Bill, 1980", *Calcutta Municipal Gazette*, *op. cit.*

⁵When surcharge on the tax is also taken into account.

"...tax evasion rises with the rising rates of taxation...high rates of taxation are tolerable or are tolerated mainly because of the widespread evasion and avoidance that take place".⁶ The Committee's advocacy against steep progressive rates and the recommendation for the reduction in the maximum rates in the case of income tax have, in fact, been accepted by the Government of India. Thus in the case of property taxation also the balance of wisdom seems to be in favour of concentrating the efforts to improve the assessment and thus enlarging the tax base, rather than putting all stakes on the steep-tax rates falling on a small number of big property owners to generate all the required additional revenues.

Now we may move over to the equity aspect of the tax proposals. It may be mentioned that the subject of equity in municipal taxation has attracted considerable debate in the past in the reports of various official commissions appointed on municipal finances in the country. In view of the very small percentage share of the municipal taxation in the total tax burden, and also there being the levies by the lowest-level of the government, it is generally held that the municipal taxes might not have any significant impact, as far as promotion of equitable tax incidence is concerned. Further the analysis of field data has indicated that people's income (paying capacity) and the rental values of their houses are not always univariant. Thus there is no guarantee that progressive property tax rates would lead to equitable distribution of tax burden. It is not to say that municipal bodies should not make endeavours towards the objective in question, but the efforts should better be based on the information periodically updated, about the households' incomes, rental and other expenditures, etc. This could be done only under the set-up where municipal body has sufficient freedom to manoeuvre and fix the tax rates.

Now proceeding to the revenue mobilisation aspect, we may examine the likely impact of the proposal to enhance the exemption limit from the existing level of annual value of Rs. 50 to Rs. 300. On account of the rebate in assessment permissible for the owner occupied residential properties, the exemption limit in their case works out to Rs. 430. The total number of properties that might thus be exempted from the property tax are 20,900. The revenue losses on that account work out to about Rs. 7 lakhs per annum.⁷ The financial justification that is often advanced in favour of exemption of smaller properties is that they lead to considerable savings in the administrative expenses. Unfortunately,

⁶*Direct Taxes Enquiry Committee, 1970 (Final Report)*, New Delhi, Government of India, Ministry of Finance, 1971, p. 18.

⁷According to the data compiled by the West Bengal Central Valuation Board (*vide* Postscript to this paper, the revenue loss on account of exemptions comes to roughly Rs. 2 lakhs only.)

the data relating to the expenditure incurred by the Calcutta Corporation on assessment, levy and collection of property tax are not readily available. But since the whole process of assessment and keeping of records has to be gone through before a property owner can claim and secure tax exemption, the savings in administrative expenses on account of granting exemption to such a large number of rate payers might not be very significant and in any case might not be of comparable size as the revenue losses indicated.

Now coming to the 'straight-line method' for fixation of tax rates, it is to be agreed that this method would smoothen the sudden jumps in the tax incidence that occur under the 'slab system of rates' and that in turn could help to minimise a major incentive for getting under-assessment of properties falling in the marginal ranges. Further, it seems to facilitate smooth transition of the maximum rates from 33 per cent for properties with annual valuations of Rs. 15,001 and above to 40 per cent in respect of properties with annual valuations of Rs. 18,001 and above. But the estimated number of properties falling in the latter-mentioned critical range is only 145. It is also noted that as the net effective rate under the proposed system is higher than the existing ones only in respect of properties with the annual valuation of Rs. 8000 and above,⁸ smoothening of tax incidence at the edges by the straight line method might be seriously felt only in respect of about 8,000 property owners who fall in the annual valuation range of Rs. 8,000 to 18,000. Apart from the above, one cannot possibly agree with the other claims made in respect of straight line method *vis-a-vis* revenue mobilisation potentialities. At least the way the method has been incorporated along with the other proposals under the Calcutta Corporation Bill provides sufficient indication to doubt the claims. As has been explained, the straight line method for rate fixation is applicable only in respect of annual valuations in the range of Rs. 601 to 18,000. In the rest of the cases, uniform rates are applied. From the estimates given in Appendix II, revenue mobilisation from the properties in above valuation range of Rs. 601 to 18,000, under the proposed system of rates, is lower than the existing level by as much as Rs. 45 lakhs. This appears to be so because the properties of general category up to the annual valuations of Rs. 7,200 and owner-occupied residential properties up to the annual valuation of Rs. 13,100 would be paying property tax at the rates lower than the existing levels.* The reasons for according this concessional

⁸Under the proposed system the rates applicable to the owner occupied residential properties with annual valuations as high as Rs. 13,100 would be lower than the existing ones.

*It is, however, observed that under the proposed system, the tax rates applicable to the owner-occupied properties in the annual valuation range of Rs. 10,500-12,000 are slightly higher than the existing ones.

treatment to the properties which can fetch as high a rent as Rs. 660 p.m. (and a rent of about Rs. 1,200 p.m. in the case of owner-occupied) are not readily known. The only financial justification that could be thought in favour of the proposed arrangement is that it might provide lesser incentive for the property owners to get their properties under-assessed. If that assumption could come through, then the revenue losses might not be that large as the estimates indicate. In any case, the analysis clearly indicates that as far as revenue mobilisation aspect is concerned, the 'straight line' method has no significant contribution to make except helping to smoothen the sudden jumps in the rates and thus in the tax burdens.

Now coming to the revenue contribution from the properties which fall in the maximum tax rate range, *i.e.*, those with annual valuation of Rs. 18,001 and above, it is observed that their number is about 2,248 (in 1975-76). Assuming that there would not be any significant variation in the assessment pattern, consequent on the 7 per cent rate hike proposed in their case, the additional revenues that could be expected to be realised from the group of properties in question is Rs. 1.44 crores. Thus the net addition from the proposals of the new Bill to the property tax collections of the Calcutta Corporation could be of the order of Rs. 88 lakhs per annum.

There is good scope to improve the property tax revenue estimation of the Calcutta Corporation provided efforts are made to bridge the information gaps on various inter-related issues, such as, the composition of owner-occupied residential houses under different valuation groups, the impact of rent control on assessments, the gap between rents reported and actually paid, income and house rent relationships, etc. Information on these aspects would considerably help to provide answers to the questions like, whether the tenanted residential houses and commercial and industrial properties which can fetch a monthly rent up to Rs. 660 and the owner-occupied residential houses whose market rental value is upto Rs. 1,200 p.m. are at present really overburdened with property tax as to warrant tax concessions? Similarly, what could be the long term impact of the exemptions from tax to as many as one-seventh of the properties both for revenue augmentation and also from other points of view, such as, ensuring proper maintenance of the properties concerned, etc. In what way the bigger property owners are likely to react to the rate changes? And how the rate hikes are going to affect the distribution of valuations, etc.? In conclusion, the impression that the foregoing analysis conveys is that the tax proposals incorporated in the Bill under consideration have not been preceded by a thorough quantitative examination of various inter-related issues. Otherwise, the financial and economic rationale might perhaps

have received greater weightage, rather than the political overtones which, unfortunately, seem to have been the major guiding consideration in the tax proposals of the present Bill.

Appendix I

THE RATE STRUCTURE OF PROPERTY TAX—EXISTING AND PROPOSED

| Annual Value in Rs. | Present rates Percentage | | | Proposed rates Percentage ¹ | | | Overall | | Composite proposed rate |
|---------------------------|----------------------------------|---|-----------------------------------|--|---|---|------------|---------|-------------------------------|
| | For resi- dential premises | For com- mercial and industrial premises | Residential tenant occupied | Owner occupied | Rate appli- cable to the annual value | Actual rate and applica- ble premises | Commercial | present | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Below 50 | nil | nil | nil | | nil | nil | nil | nil | nil |
| 51 | 15 | 22.5 | nil | | nil | nil | nil | 16.35 | nil |
| 301 | 15 | 22.5 | 11.0 | | nil | nil | nil | 16.35 | 9.4 |
| 429 | 15 | 22.5 | 11.0 | 300.3 | nil | nil | 16.5 | 16.35 | 9.7 |
| 1,001 | 18 | 27.0 | 11.7 | 696.7 | 11.2 | 7.81 | 17.6 | 19.62 | 11.7 |
| 1,201 | 18 | 27 | 12.0 | 852 | 11.4 | 8.11 | 18.0 | 19.62 | 12.3 |
| 1,801 | 18 | 27 | 13.0 | 1,296 | 12.2 | 8.8 | 19.5 | 19.62 | 13.3 |
| 2,401 | 18 | 27 | 14.0 | 1,952 | 13.3 | 10.8 | 21.0 | 19.62 | 14.6 |
| 3,001 | 22 | 33 | 15.0 | 2,220 | 13.7 | 10.1 | 22.5 | 23.98 | 15.3 |
| 3,601 | 22 | 33 | 16.0 | 2,700 | 14.0 | 10.5 | 24.0 | 23.98 | 16.3 |

(Continued)

(Continue d)

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---------------------|-----|------|------|--------|------|------|------|-------|-------|
| 4,201 | 22 | 33 | 17.0 | 3,192 | 15.3 | 11.6 | 25.5 | 23.98 | 17.4 |
| 4,801 | 22 | 33 | 18.0 | 3,696 | 16.2 | 12.5 | 27.0 | 23.98 | 18.5 |
| 5,401 | 22 | 33 | 19.0 | 4,212 | 17.0 | 13.3 | 28.5 | 23.98 | 19.5 |
| 6,001 | 22 | 33 | 20.0 | 4,740 | 17.9 | 14.1 | 30.0 | 23.98 | 20.6 |
| 6,601 | 22 | 33 | 21.0 | 5,280 | 18.8 | 15.0 | 31.5 | 23.98 | 21.7 |
| 7,201 ² | 22 | 33 | 22.0 | 5,670 | 19.5 | 15.4 | 33.0 | 23.98 | 22.7 |
| 7,801 | 22 | 33 | 23.0 | 6,396 | 20.7 | 17.0 | 34.5 | 23.98 | 23.8 |
| 8,401 ³ | 22 | 33 | 24.0 | 6,972 | 21.6 | 17.9 | 36.0 | 23.98 | 24.9 |
| 9,001 | 22 | 33 | 25.0 | 7,560 | 22.6 | 19.0 | 37.5 | 23.98 | 26.0 |
| 9,601 | 22 | 33 | 26.0 | 8,160 | 23.6 | 20.1 | 29.0 | 23.98 | 27.1 |
| 10,201 | 22 | 33 | 27.0 | 8,772 | 24.6 | 21.2 | 40.5 | 23.98 | 28.2 |
| 10,801 | 22 | 33 | 28.0 | 9,396 | 25.7 | 22.3 | 42.0 | 23.98 | 28.2 |
| 11,401 | 22 | 33 | 29.0 | 10,032 | 26.7 | 23.5 | 43.5 | 23.98 | 30.5 |
| 12,001 | 27 | 35 | 30.0 | 10,680 | 27.8 | 24.7 | 45.0 | 29.43 | 32.7 |
| 12,601 | 27 | 40.5 | 31.0 | 11,340 | 28.9 | 26.0 | 46.5 | 29.43 | 33.8 |
| 13,201 ⁴ | 27 | 40.5 | 32.0 | 12,012 | 30.0 | 27.3 | 48.0 | 29.43 | 34.9 |
| 13,801 | 27 | 40.5 | 33.0 | 12,696 | 31.2 | 28.7 | 49.5 | 29.43 | 35.9 |
| 14,401 | 27 | 40.5 | 34.0 | 13,392 | 32.3 | 30.0 | 51.0 | 29.43 | 37.1 |
| 15,001 | 33 | 49.5 | 35.0 | 14,100 | 33.5 | 31.5 | 52.5 | 36.03 | 38.2 |
| 15,601 | 33 | 49.5 | 36.0 | 14,820 | 34.7 | 33.0 | 54.0 | 36.03 | 39.2 |
| 16,201 | 33 | 49.5 | 37.0 | 15,552 | 35.9 | 34.5 | 55.5 | 36.03 | 40.03 |

| | | | | | | | | | |
|--------|----|------|------|--------|------|------|------|-------|------|
| 16,801 | 33 | 49.5 | 38.0 | 16,296 | 37.2 | 36.1 | 57.0 | 36.03 | 41.4 |
| 17,401 | 33 | 49.5 | 39.0 | 17,052 | 38.2 | 37.4 | 59.5 | 36.03 | 42.5 |
| 18,001 | 33 | 49.5 | 40.0 | 17,820 | 39.7 | 39.3 | 60.0 | 36.03 | 43.6 |
| 18,601 | 33 | 49.5 | 40.0 | 18,404 | 40.0 | 39.5 | 60.0 | 36.03 | 43.6 |
| 19,201 | 33 | 49.5 | 40.0 | 19,008 | 40.0 | 39.6 | 60.0 | 36.03 | 43.6 |
| 19,801 | 33 | 49.5 | 40.0 | 19,602 | 40.0 | 39.7 | 60.0 | 36.03 | 43.6 |
| 20,401 | 33 | 49.5 | 40.0 | 20,196 | 40.0 | 39.7 | 60.0 | 36.03 | 43.6 |
| 21,001 | 33 | 49.5 | 40.0 | 20,790 | 40.0 | 39.8 | 60.0 | 36.03 | 43.6 |
| 21,601 | 33 | 49.5 | 40.0 | 21,384 | 40.0 | 39.9 | 60.0 | 36.03 | 43.6 |
| 36,001 | 33 | 49.5 | 40.0 | 35,640 | 40.0 | 40.0 | 60.0 | 36.03 | 43.6 |

1. Regarding the assumptions about the composition of properties according to use, kindly see Appendix III.
2. For the properties in general the proposed rates are lower than the existing ones up to this point.
3. The composite rate under the proposals is lower than the existing ones for the properties with annual valuations up to Rs. 8,000.
4. In the case of owner occupied residential properties the proposed rates are lower than the existing ones up to the annual valuation level of Rs. 13,100, except in the small intermediary range of Rs. 10,500 to 12,000 of the annual values.

Appendix II

ESTIMATED TAX CONTRIBUTIONS FROM PROPERTIES IN
DIFFERENT VALUATION GROUPINGS, UNDER THE
EXISTING AND PROPOSED RATE SYSTEMS

| Annual value group | Number of Properties | Estimates of Tax Contri- butions under the system of rates* | | Difference of (4)—(3) |
|-----------------------|-------------------------|---|--------------|--------------------------|
| | | Existing | Proposed | |
| (1) | (2) | (3) | (4) | (5) |
| Rs. | | Rs. | Rs. | Rs. |
| 1—600 | 44,720 | 24,64,395 | 13,87,818 | —10,76,577 |
| 601—1,000 | 25,400 | 33,22,320 | 21,74,240 | |
| 1,001—3,000 | 42,825 | 1,49,32,526 | 1,02,21,457 | |
| 3,001—12,000 | 15,940 | 2,11,19,569 | 1,93,65,460 | |
| 12,001—15,000 | 4,435 | 1,75,31,568 | 2,05,11,354 | |
| 15,001—18,000 | 145 | 8,61,300 | 9,66,570 | |
| 601—18,000 | 88,745 | 5,77,67,283 | 5,32,39,081 | —45,28,202 |
| 18,001—50,000 | 1544 | 1,89,59,760 | 2,28,57,044 | |
| 50,001—1,00,000 | 407 | 1,51,09,875 | 1,83,15,000 | |
| 1,00,001—3,00,000 | 263 | 2,60,37,000 | 3,15,60,000 | |
| 3,00,001—above | 34 | 84,15,000 | 1,02,00,000 | |
| 18,001 and above | 2248 | 6,85,21,635 | 8,29,32,044 | +1,44,10,409 |
| TOTAL | 1,35,713 | 12,87,53,313 | 13,75,58,943 | +88,05,630 |

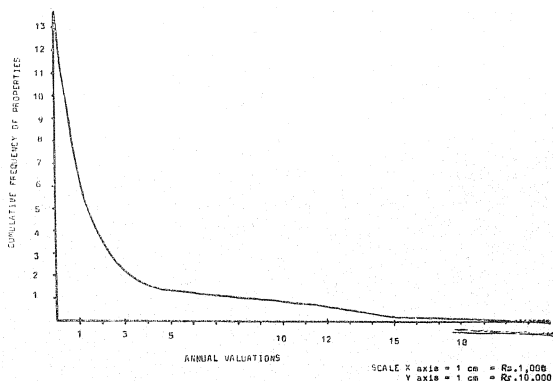
*Including the 50 per cent surcharge on commercial and industrial properties, but excluding the Howrah bridge tax.

Appendix III

SOURCES OF DATA AND ASSUMPTIONS

(i) The distribution of assessed properties according to annual valuation is the one reported for the year 1975-76 by R.M. Kapoor in "Finances of Calcutta Corporation—Problems and Prospects", *Nagarloek*, Vol. IX, No. 1, January-March, 1977, Tables 2 and 8. A free hand Curve of the Cumulative frequencies (Lorenz Curve) as shown below is utilised to obtain the frequencies at the various intermediary ranges of annual valuations.

CUMULATIVE FREQUENCY CURVE OF PROPERTIES
ACCORDING TO ANNUAL VALUES (LORENZ CURVE)



(ii) According to the 1971 Census, there were 6.45 lakhs occupied houses in Calcutta, out of which 5.11 lakhs were purely residential, 1.10 lakhs were houses which could be grouped as commercial and industrial, such as shops, shops-cum-residences, workshop cum-residences, Hotels, factories and 0.24 lakhs were rest of the categories. (Census of India—Part IV B, Report on Housing, Tables page 44). It is, therefore, assumed that residential and commercial and industrial properties are distributed in the ratio 8.2 : 1.8 in all valuation groupings except the ones falling in the range of Rs. 50,001 and above, the latter are all assumed to be commercial and industrial.

(iii) In one of the reports it was reported that the owner occupied properties constitute about 25 per cent of the total. (Government of

West Bengal, 1967, *cf.* Rakesh Mohan, *Indian Thinking and Practice with Urban Property Taxation and Land Policies—A critical Review*, Princeton University, 1974, Mimeo. (p. 18).

It is, therefore, assumed that the owner-occupied houses constitute 25 per cent of total residential in all the valuation categories.

(iv) One of the stipulations for granting the rebate in assessment for owner-occupied properties is that the total occupied area is 100 square metres or less. So it is assumed that this rebate might not be available to the owner-occupied properties with annual valuations of 36001 and above.

Appendix IV

POST SCRIPT

After the completion of the initial note, the author has come across a background paper prepared by the West Bengal Central Valuation Board wherein the distribution of the properties in Calcutta Corporation according to annual valuations and the property tax contribution arising thereof were presented. It is observed that even though the total number of properties covered under property tax net were reported to be 1,35,000, the distribution pertains to only 1,04,149 properties. Further, the tax estimates seem to include the Howrah Bridge tax which is levied at the rate of 0.5 per cent (0.25 per cent in Tollygunge area) and collected along with the property tax. The facts of the position are still to be ascertained. Nevertheless, the paper under reference is a official document and, as such, has to be taken cognisance of. Therefore, an attempt is made to examine again in the light of new data some of the findings in the foregoing pages. Foremost issue is, of course, the claim about revenue mobilisation capabilities of the 'straight line' method of

**ESTIMATION OF REVENUES FROM PROPERTY TAX
UNDER EXISTING AND PROPOSED SYSTEMS**

| Annual valuation range | No. of properties | Estimates of Tax contribution by the properties in the valuation group under the system of rates | | |
|------------------------------|----------------------|--|-----------------|--------------------------|
| | | Existing Rs. | Proposed Rs. | Difference Rs. |
| 1-600 | 17,937 | 10,86,834 | 5,35,830 | —5,51,004 |
| 601-1,000 | 18,534 | 26,15,789 | 17,38,538 | |
| 1001-3,000 | 39,939 | 1,37,73,143 | 1,00,86,333 | |
| 3,001-12,000 | 22,315 | 3,01,98,764 | 2,76,66,817 | |
| 12,001-15,000 | 1,448 | 57,92,112 | 69,85,551 | |
| 15,001-16,000 | 793 | 43,44,952 | 52,59,256 | |
| <hr/> 601-18,000 <hr/> | | 5,67,24,760 | 5,17,36,495 | —49,88,265 |
| 18,000 and above | 3,170 | 7,15,26,139 | —9,56,16,038 | +2,40,89,988 |
| | | | | <hr/> +1,85,50,630 <hr/> |

fixation of tax rates. As in the previous occasion the relevant-valuation range is Rs. 601-18,000. The estimates of the tax yields under the proposed system in above valuation range are worked out and presented along with the estimates given by the paper under reference in the previous Table. In this case it is noticed that revenue loss on account of the adoption of rates by 'straight line' method could be as high as about Rs. 50 lakhs per annum. However, the net additions to the property tax revenues from all the groups of property valuations under the proposed system would be Rs. 1.86 crores which includes 50 per cent surcharge on industrial and commercial properties leviable under law. This would be entirely contributed by properties falling within the valuation range of Rs. 18,000 and above where a uniform rate of property tax at forty per cent (with surcharge on industrial and commercial properties) is leviable. The claims regarding the revenue contribution of the 'straight line' method of rate fixation thus appears to be of doubtful validity. □

*Indian Thinking on Property Tax Reform**

RAKESH MOHAN

PROPERTY TAXES form the major source of revenue for most local bodies in India. In general, it is levied more as a source of revenue than as an instrument for regulating land-use. It is then not surprising that there is an increasing level of concern expressed about its efficacy as a revenue measure since there has been increasing evidence over recent years that the property tax has not been a very buoyant source of revenue. The property tax must be the most unevenly administered and most maligned of all taxes—but is also the most durable. It has financed the major part of municipal expenditures since the municipal councils were first established in Bombay, Calcutta and Madras in the early part of the eighteenth century. Yet, little is known about its overall impact, incidence and effects on resource allocation decisions. Most of the literature that can be found on the subject deals with aspects of:

- (i) the basis of assessment,
- (ii) inefficiencies in administration, and
- (iii) exemption provisions.

There have been four major Central Government reports since independence which have investigated the local property tax in some detail:

- | | |
|------------|---|
| 1. 1951 | The Local Finance Enquiry Committee (G.O.I., 1951). |
| 2. 1953-54 | The Taxation Enquiry Commission (G.O.I., 1954) |
| 3. 1963 | Committee on Augmentation of Financial Resources of Urban Local Bodies—generally known as the Zakaria Committee (G.O.I., 1963). |

*The views expressed here are those of the author and not of the organisation to which he is attached.

4. 1966 The Rural-Urban Relationship Committee (G.O.I., 1966).

The curious aspect of these reports is that, apart from a few exceptions, they have reached the same conclusions and made similar recommendations over a span of almost twenty years; yet few of their major recommendations have been put into practice. Since 1966, there has not been another major national-level examination of the issue. There have, however, been a number of state-level Municipal Finance Commissions which have examined the financial requirements of local bodies in the respective states.¹ More recently, concern with the local property tax has again been brought to light with the publication of *A Study of the Resources of Municipal Bodies*, by the National Council of Applied Economic Research (NCAER, 1980) and a special issue of this journal (July-September, 1980) on *Reforms in Property Tax*. The NCAER study was sponsored by the Ministry of Works and Housing which reflects official concern with the state of municipal finances. This study examined all sources of municipal finances. So property taxes formed only part of the study. This article attempts to examine the state of the art at the present time by reviewing these recent publications critically.

THE BASIC ISSUES

Given the wide variation in practices, rate structures and administration of the property tax among the states in India, there is often a tendency to concentrate on details of administration in discussions of the tax. It is, therefore, appropriate to delineate the basic issues at the outset. First, why have the tax and second, why be concerned about it? The main reason for its existence is obviously its capacity to produce revenues for local purposes. As the NCAER study points out, municipal bodies in India are not constitutional bodies but are formed by Municipal Acts enacted by the various state legislatures. Under the Indian Constitution, local governments fall exclusively within the purview of their respective State Governments. "The Constitution does not provide for a separate identity for local bodies with specific areas of operation powers and responsibilities" (NCAER, 1980, p. 2). However, by and large, local bodies have to provide necessary services, like, maintenance of roads, water supply, sanitation, scavenging, sewerage, public health and primary education. The two main sources of revenue not preempted by the State and Central Governments are the property tax and octroi. With various national level commissions recommending the abolition of octroi, local bodies are likely to rely even more heavily on property tax. Given

¹These states include U.P. (1969), Gujarat (1964, 1972), Andhra Pradesh (1971), U.P. (1974), Maharashtra (1974), Kerala (1976), Karnataka (1975); see NCAER (1980) for full references.

that the proceeds from the property tax largely finance local level services, a good case can be made that the key beneficiaries are the local property owners. Further, it is felt that properties derive their value to some extent from the provision of public services: hence it is fair that they should be taxed according to their value.²

With continuing urbanisation, though at a relatively slow rate, cities are becoming larger and larger and hence more and more public services have to be provided. Local bodies as well as State Governments are, therefore, feeling pressed for resources as they get pressured into making investments for the provision of these services. As cities grow larger, while the cost per capita of providing services may not increase, the absolute costs of investments become large and hence non-local resources have often to be tapped. Given the current state of the economy and its level of development, urban development programmes are not given a high priority. Hence, for the foreseeable future, ways and means need to be found for financing urban public services such that they can be largely self-financing. With property tax being the major local tax instrument, it is, therefore, very desirable that it should be re-examined thoroughly and ways found to administer it effectively.

CURRENT PRACTICES

As mentioned earlier, there is a very wide variation in the structure and administration of the property tax between states and cities. K.S.R.N. Sarma (1980) provides an exhaustive compilation of the different practices found in the country. Despite the diversity, there are a number of common elements.

For purposes of assessment, India has followed the British system of using annual rental value as the basis for taxation. The annual value is that of land and buildings taken together. Annual rental value is defined as the *gross annual rent at which the property may reasonably be expected to be let from year to year*. It is, thus, a hypothetical value which can be interpreted as the market rent of the property concerned. It is *not* the actual rent transacted. In practice, though, there is considerable variation in methods of assessment and the actual rents are used more often than not.

It is very difficult to get comprehensive data on the revenue realised from property taxes over the whole country. The Central Statistical Organisation does carry out a partial survey and presents annual data in its *Annual Statistical Abstract*. Similarly, the Reserve

²The subjects of the incidence of the property tax and who benefits from government expenditure are quite complex and cannot be treated here any further. Recent references are: Marcelo Selowsky (1979), Jacob Meerman (1979), Aaron (1975), Bird (1976) and Linn (1977).

Bank of India has a continuing Survey of Finances of Local Authorities and publishes data periodically in the *Monthly Bulletin*. Property tax accounts for about 50 per cent of all local tax receipts (B. Nanjundaiya, 1971; NCAER, 1980) and the 43 city corporations account for 50-70 per cent of all local tax receipts. An estimate of total property taxes in 1971 revealed that they were probably about 0.35 per cent of national income (R. Mohan, 1974, p.11). This, incidentally, compares with total US property taxes being about 3 to 3.5 per cent of US National income (Dick Netzer, 1966). This proportion has curiously remained constant in the US for about a hundred years.

The NCAER (1980) study surveyed 51 municipal bodies around the country. It concluded that as a proportion of total tax revenue it remained constant for corporations at about 55 per cent while it fell from about 44 per cent to 40 per cent for municipalities. In most places total property tax consists of two components: house tax and service taxes. Service taxes include water tax, lighting tax, conservancy tax and fire tax, but are usually levied on the basis of rateable value of properties. Between 1970-71 and 1976-77 total property tax receipts in the sample bodies were found to increase at about 15 per cent per year. This compares with increases of about 17 per cent in both national and state taxes. The NCAER study is of the view, probably justifiably, that this growth in revenue has not been commensurate with the potential that it has, keeping in mind the increases in market values of property over the same period.

All states have provision for a periodical reassessment of annual rateable value. The reassessment period is usually every five years but this is not carried out in most cases. The tax rates vary between states: some levy tax on a flat rate basis, while others have progressive rate structures. In most states, the valuation is carried out by people who have little formal training in valuation. Among the main problems identified by the NCAER study that afflict the collection of property tax are:

- uniform methods of property valuation have not been evolved,
- given the lack of the above, local influences affect valuation in all kinds of ways,
- inadequate manpower quantity as well as quality
- there are intrinsic conflicts between the provisions of rent control acts and the assessment of rateable value for property tax. Reassessment of properties is also affected by the operation of rent control acts, and
- lack of enforcement machinery to enforce timely payments.

Much of the other recent discussion on the administration of the

property tax has concentrated on making the basis of assessment more rational.

THE TAX BASE

Most studies dealing with property taxation in India discuss the relative merits and demerits of assessment of properties based on capital value or annual value. Recently, a third basis has been added to the debate—that based on certain physical characteristics of properties, or what has been called the area basis of valuation. (Ramakrishna, 1980; Jha, 1980). A fourth basis, site value taxation has a long history behind it (Henry George, 1879) and has also been discussed recently (Ammukutty, 1980).

The concept of annual rateable value as prescribed by the various municipal acts in India corresponds closely with the view of the English courts: "The rent prescribed by the statute is a hypothetical rent, as hypothetical as the tenant. It is the rent which an imaginary tenant might be reasonably expected to pay to an imaginary landlord for the tenancy of the dwelling in that locality, on the hypothesis that both are reasonable people, the landlord not being extortionate, the tenant not being under pressure, the dwelling being vacant and to let, not subject to any control, the landlord agreeing to do the repairs and pay the insurance, the tenant agreeing to pay the rates, the period not too short, not too long, simply from year to year." (D. Holland, 1970, p. 65). The concept then is essentially that of free market rent and is hypothetical since the housing market is seldom free of distortions and control.

Capital value is generally considered to be what a willing seller could be expected to receive for his property from a willing buyer if it were offered for sale free of encumbrances and on reasonable terms. The concept here again is the price of the property under a regime of a freely competitive market.

Now, the capital value of a property is the present value of the discounted stream of its expected income, *i.e.*,

$$V_0 = \sum_{t=0}^{t=\infty} \frac{R_t}{(1+r)^t}$$

where V_0 is the capital value of a property at time. R_t is the rental at time t and r is the appropriate discount rate. In equilibrium,

$$\begin{aligned} R_1 &= R_2 = \dots = R \text{ and} \\ r_1 &= r_2 = \dots = r \end{aligned}$$

Thus, theoretically, in an equilibrium or stable situation there is no

conceptual difference between the two bases of assessment. However, in reality, there is considerable uncertainty surrounding the future and especially so in situations of relatively rapid urbanisation. Moreover, in conditions of high and variable rates of inflation, there can be considerable differences between the present value of the discounted stream of annual rentals based on current rentals and the current capital value. To the extent that rising future rentals are foreseen, capital value increases can be expected to lead annual rental increases. One advantage of the capital value basis of property tax assessment is that, given frequent reassessment, property taxes would be more buoyant with rising capital values. To the extent that property taxes get capitalised the rising value of land and property would be slowed down if indeed the basis was capital value and there was frequent reassessment. Other advantages of capital value taxation that are often stressed are:

- (i) Vacant land would be easier to tax and would, therefore, lead to more efficient land-use.
- (ii) It would be possible to form an elaborate valuation code.
- (iii) Since some of the central taxes are based on capital valuation it would also lead to better collection of those taxes.
- (iv) It would be more difficult to evade taxation.

Ramakrishna (1980) has recently made a strong case for a new approach to the basis of the property tax. His ideas essentially respond to the widespread complaints from the public concerning the inequities and inefficiencies in the administration of the current system. He feels that the system of valuation as it exists now is "at best discretionary to a large extent and at worst arbitrary to an unacceptable degree". As a consequence, the first priority for reform should be that "the degree of discretion and possible arbitrariness in the present system has to be reduced if not eliminated altogether." The new basis suggested by him is then a system which is thought to be much more rational and mechanical where the discretionary powers of the valuation officers are reduced considerably. Under the system proposed, the basic tax would be related to the plinth area. There would be a surcharge on excess appurtenant land which is greater than three times the built-up area. Extra surcharges would be levied according to location, type of construction, nature of its use and age of building. Each of these variables would have five or six categories. The advantages of moving to such a system are seen to be:

- (a) Owners can pay on a self-assessment basis once the parameters of the scheme are worked out.

- (b) The scope of discretion now exercised by valuation officers would be greatly reduced.
- (c) Computerisation of the tax system would be easier.
- (d) Effort in reassessments every five years would be saved.
- (e) Variation of taxes can be made by alteration of basic rates.
- (f) Progressivity in taxation can be achieved by organising the extras such that the poor are benefited.

This is a very interesting attempt to eliminate the arbitrariness that the current system suffers from. The scheme is effectively a formula for property valuation where a property is defined by a vector of attributes. Hence, conceptually, what is being suggested is that the value of a property is a discrete function of six attributes:

$$V=f(\text{plinth area; excess land area; location; type of construction; type of use; age})$$

where $f(\cdot)$ is a linear combination of the attributes mentioned. This is really a hedonic formulation of property values. While the scheme seems attractive in terms of its conceptual simplicity it is not obvious that it would not suffer from an equivalent amount of discretionary arbitrariness. As in the valuation of land the key problem lies in the delineation of locations. Location is the key determinant of the value of land. In smaller cities, the distance from the city centre is a good proxy for location. As cities grow and become polycentric, the distance variable becomes a composite one of distances from different employment and market centres. While overall patterns of land value can still be explained by distance from the city centre,³ the determinants of land values of *particular parcels of land* are more complex. In Indian cities in particular, if a city is divided in 5 or 10 large zones a great amount of heterogeneity would be found in each zone and taxation according to such a definition would be as arbitrary as any other system. For such a discrete system to work the number of location categories would have to be very large. Alternatively, if the number of categories is kept small, relatively small non-contiguous neighbourhoods would have to be assigned the same locational categories according to the quality of the neighbourhood. Such assignation would naturally fall prey to the normal local influences. Similar discretionary problems, though not as serious, would arise with the assignation of the other categories.

Jha (1980) reviews various other similar suggestions including those

³For empirical demonstration of some of these ideas, see Mohan and Villamizar (1980).

by Kapoor (1977) and by the Operations Research Group (ORG, 1979) in a study for the Madras Metropolitan Development Authority. These studies also propose rationalisation of the current system. The ORG study suggests a system similar to Ramakrishna's. It proposes to arrive at a standard zonal rate for different zones by using "qualitative and quantitative indices of rentals, area details, type of construction, level of facilities, and types of neighbourhood... On the basis of zonal characteristics, size and type of buildings in each zone, a zonal rent per square foot of floor area is envisaged to be worked out which must reflect the market rent for the similar size and type of properties. Individual properties are then to be assessed in relation to this standard rate and deviation from this in terms of size and other indices." (Jha, 1980, p. 27). The suggested system is, therefore, to be based on the market rent (value) of properties in the different physical and functional zones of the city such that the range of variation in market value of a property within a homogeneous zone is much less compared to the range in market value of individual properties spread over the city. Periodical revision of zonal rates is also suggested.

Jha concludes that the rationale behind this alternative system is to capture, as far as possible, the market rent obtaining in a similar locality. He detects a certain circularity in the procedure. The backbone of the system is to be the standard zonal rate. But it is market rents in the area which determine the zonal rate. And it is zonal rates which then determine the market rent for an individual property. As Jha interprets it, the problem ultimately boils down to getting sufficient evidence for determining the existing capital value. But this is the problem associated with any value basis, be it annual value or capital value.

How have such schemes worked in practice? Jha gives evidence from Linn (1976) who studied the administration of property tax in Jakarta. Property taxation is based on annual value in Jakarta, but the annual values are derived on the basis of an index table. Each property is cross-classified by the zone in which it is located, designated land-use for that zone, actual land-use of the property, and the level of amenities provided. Every property is given an index number which indicates the unit value of land. Linn concluded from his study that the system of assigning of index values in fact does not bear any relationship with actual land values prevailing in Jakarta. He also found that the tax table actually prepared in Jakarta did not bear any relationship with index values!

That these 'mechanical' systems of finding 'objective', 'rational' tax bases suffer from a number of problems should not be surprising. The main point in their favour *may* be ease of administration. It is unlikely that they will be any less anomalous in their effects. The implicit assertion in these systems is that a *small finite number of variables*, easily

measurable, can explain all the variations in land and property values within a city. Moreover, the assumption is that a linear combination of these variables is the correct functional form for deriving proxies for their value. It would be difficult to find any study of property or land values within a city which succeeds in explaining more than 30-50 per cent of the variance observed. As in most cross-section studies, even if a model explains 30 per cent of the observed variance it is regarded as a good model. Hence, to look at the converse, 50-70 per cent of the observed variance in land or property values is usually left unexplained. How can we then expect to find a simple, easy to administer formula which forms the basis of property taxation? An analogy would be if we sought to base income tax assessment on the basis of a formula which took account of a person's age, education, sex, occupation, etc. Human capital formulations of labour earnings characteristically succeed in accounting for a third of observed variance in peoples' labour earnings. There are many other systematic or difficult to measure influences which determine a person's earnings. Similarly, there are many influences difficult to measure which determine property values be they annual or capital values.

As Jha has observed, these suggestions for new systems of property taxation really reflect a wider appreciation of flaw in the existing system of property taxation in India and the need for rationalisation of the existing somewhat chaotic system. My own interpretation of these new suggestions is that they would be appropriate as training manuals for assessors.⁴ To the extent that *property value* is the appropriate base for taxation, as was justified briefly earlier, methods of assessment which concentrate on some of the *determinants* of these values are bound to be faulty, since no small set of determinants can fully explain the value of a particular property. Methods used to make these assessments should, however, include such systematic means at arriving at the values. As cities grow larger and tax records have to be maintained and revised, systematic methods would have to be developed for the valuation of properties. They can also be used as means of monitoring and checking valuations as they currently exist. Properties which are found to be vastly different from predicted values derived from a formula can then be checked for their special characteristics, if any. Thus the kinds of systems suggested by Ramakrishna and others for rational valuation should be used as pedagogic devices for the training of assessors and for purposes of checking and finding out gross inequities in the system. It would be an error if they are codified into law as the basis of taxation.

⁴See Appendix for information on a few places where such methods have been used for training purposes.

The other basis of taxation suggested is site value taxation (Ammukutty, 1980). Under this system it is the site value of land alone which is taxed—not the built-up property. The argument behind this tax is that land value increases are attributable to public investment or other external events and not due to the efforts of the individual owner; the increments in value should then be captured for public benefit. Ammukutty suggests a number of differences between the property tax as it is levied now and the proposed system of site value tax. It is not true to say that property tax is levied “mainly or wholly on man-made capital”. Whether based on annual value or capital value, the value of land is part of the property value and usually an indeterminate part. A well administered property tax would not favour old over new property as long as land values were rising and proper reassessments were done frequently. Land values are usually changed as a result of building up an area hitherto unbuilt up. It is also claimed that site value tax favours land utilisation to the maximum limit since the tax bill increases with the increase in economic rent of the land. Again, a well administered property tax would have the same effect. It should be obvious that since property value subsumes land value, any virtues of site value taxation should also be manifested in property value taxation. The only difference is that site value taxation does not tax the building, which the property tax does. Theoretically, at least, a change from property tax to site value tax should give a boost to housing construction activity. Although Ammukutty presents a good simulation exercise based on a part of Delhi to show how site value taxation can replace property taxation, practically a system based on site values suffers from a number of problems.

The key conceptual problem with site value taxation is that “there is no meaningful way, in theory as well as in practice, of separating the value of the site from the value of improvements if the site is not a vacant one” (Netzer, 1966, p.128). Among other things, such as, location, it is improvements themselves that have an impact on site values. Improvements on land alter the character of the location itself and hence change site values. This is not to say that there is no such thing as land value when it is built upon; only to say that it is theoretically as well as practically difficult to determine. Site value taxation has been tried in a number of countries, specially Australia, New Zealand, South Africa and Canada. Netzer (1966) reports from a study by A.M. Woodruff and L.L. Ecker-Racz that “they observed little visible evidence of differences between communities which use site value taxation and those which use more conventional forms of property taxation”.

Ammukutty's empirical exercise on the feasibility of applying site value taxation to the South Extension area of New Delhi illustrates another difficulty with the application of site value taxation. This

relates to the adequacy of revenues that can be collected from site value tax. According to a study by James Heilbrun, cited by Netzer, it has been estimated that the present yield of the real estate tax in the United States may exceed the whole rent of land, which is the theoretical maximum revenue potential. In fact, if there is 100 per cent taxation, the value of land would decline to zero. Hence the taxation rate would have to be considerably less than 100 per cent. Ammukutty attempts to show that it is quite possible to collect equivalent revenue from site value tax. However, the assessable annual value of land alone as estimated by her is greater than the estimated total rateable property value.⁵ The estimated property tax collected is between 15 and 20 per cent of the annual property value. This implies that if the property and land values were taken in comparable terms, site value tax would have to be at least 50 per cent of annual site value (assuming that land value is between 30 and 40 per cent of total property value on average), in order to give tax revenue equivalent to property tax revenues.

Having made all these strictness, it should be pointed out that it has long been recognised that site value taxation is a theoretically very attractive instrument of taxation. Since land cannot be moved, taxing location rents has no effect on landlords' decisions. It is also neutral with regard to the intensity of land-use. Incentives to develop high valued sites remain unaffected—relative values of different sites are not altered. Furthermore, the capitalisation of the land tax would reduce land prices and, therefore, dampen land value increases. Imposition of site value taxation would then encourage an increased rate of investment in new buildings, less speculation and more intensive use of land.

This review of the different bases of property taxation suggests that alternative methods of taxation are unlikely to be superior to the conventional property tax if it is well administered. The key is really frequent reassessments and the treatment of vacant land on a par with other properties. In current Indian practice, vacant land is not generally taxed on the grounds that it has no annual rateable value. Capital value based property taxation is probably the cleanest method of property taxation though it also suffers from some administrative problems. It is much easier to administer capital value based taxation when there are active property markets. Usually, this is not a major problem in areas which are newly developed, but in older areas transfer of property is fairly infrequent: hence market values are difficult to observe. Furthermore, in Indian cities, the majority of taxable dwellings are let rather than owner-occupied. In Calcutta it was estimated that 75 per cent of properties were rented and only about 18 per cent owner-occupied

⁵Ammukutty (1980) Table 2, p. 17. For NDSE I, Estimated rateable value is Rs. 571,762 while assessable land value is Rs. 699,547. For NDSE II they are Rs. 789,440 and Rs. 1,238,288 respectively.

(Government of West Bengal, 1967); in Ahmedabad over 80 per cent of properties were rented (S.P. Gupta, 1971). The administrative burden is, therefore, lighter for the annual value method where tenancy is the rule and annual rents can be easily observed. A further problem with capital value taxation is the very complex ownership pattern of land that is now emerging in some Indian cities. It is often the case that in newly developed areas urbanised by a public authority, the title to land is not on a freehold basis but on varying degrees of leasehold—from short term leases to perpetual leases. There are also usually restrictions on the transfer of land within specified periods, *e.g.*, 10 years from the date of allotment. The meaning of the capital value of land in such cases becomes unclear and annual value would be easier to arrive at. One result of such restrictions is that black market transactions take place reflecting higher values than would probably be the case were there no restrictions.

Whether the property tax is based on capital value or annual value, it has been suggested that it is the lack of frequent reassessment that is the real problem—both in terms of the buoyancy of tax revenue and the allocative effects of the tax. The main problem with reassessments in India, aside from the obvious administrative problems, is the existence of rent control acts which disallow increases in rents. As long as rents are controlled it is obviously unreasonable to increase taxes on properties. A few comments on rent control are, therefore, in order here.

RENT CONTROL

Each state has its own rent control act most of which were enacted in the forties or early fifties. These acts froze rents at the time of their enactment and provide detailed guidelines for the computation of standard rents for building constructed thereafter. New buildings are often exempt for a certain number of years.

Various court judgements over the years have ruled that the local authority cannot assess the annual value of any property at a value greater than the standard rent. This ruling applies even when the actual rent transacted (by mutual agreement between the landlord and tenant) is higher than the standard rent. The result of these acts is, therefore, to severely curtail the property tax base of all local authorities. In addition, the housing market is severely distorted, old buildings do not get repaired and landlords adopt illegal rent transactions to maintain a reasonable 'real' rate of return on their property.

Almost every study dealing with property taxes touches on rent control problems. Each of the government committees went into them in some detail. The Zakaria Committee (1963) and the RURC (1966) both recommended that municipal assessments should be freed from rent control and the increases in tax should be extracted from the tenant. Others have also gone along with the basic idea that municipal valuation

should not suffer because of rent control acts themselves. What is surprising is that few have recommended abolition or amendment of the rent control acts themselves. The Taxation Enquiry Commission of 1953-54 was an exception to this and stated the basic issues well:

... the controlled rents must be assumed to be reasonable rent; and we are unable to agree that municipalities should in effect be permitted to ignore the very fact that a particular limit has been set by statute to the rent which the landlord may levy and make the assumption that he may 'reasonably' obtain a rent which exceeds that maximum. Nor are we able to agree with the other suggestion, viz., that the landlord should be permitted to pass on to the tenant the increase in the tax which would result from the previous proposal. The real issue raised by the suggestion is in regard to the level at which rent happens to be controlled, and the proposal is in effect that the level should be raised to the extent the tax may be raised on the basis of 'reasonable' assessment higher than the controlled rent. This raises larger question as the levels at which rents should be controlled from time to time. What is clear is that the Municipality cannot through revision of assessments, be allowed in effect to decide that question and in individual cases alter the level prescribed by government. (Government of India, 1955, Vol. III, p. 377).

This, in essence has also been the view of the courts in various judgements concerning the problem.

The basic issues have not changed since this lucid exposition of the problem in 1955. I am convinced that it is rent control acts which should be abolished or amended in order to release property taxes from the binding constraints of controlled rents. My understanding of the legal issues leads to the belief that no municipal subterfuge can bypass the rent control acts. As long as one arm of the government fixes what are regarded as fair or reasonable results, no other arm of the government can pretend otherwise. With the inflationary trends experienced by the economy over the past decade, this problem is becoming even more serious as housing activity is discouraged more and more. The impediments to mobility caused by the operation of rent control acts also contributes to misallocation of resources in the city.

It is not at all clear that rent controls actually benefit low income tenants nor that they redistribute income. Abhijit Datta (1973) claims that they do not. These are relevant questions to do with issues of both horizontal and vertical equity. Firstly, it is not always the case that tenants are poorer than landlords. Secondly, if we are really interested in subsidising the poor, why pick on owners of real property as opposed to other owners of capital? Old settlers are protected at the cost of

recent migrants, newly married couples and mobile tenants. This often involves a regressive distribution rather than a progressive one. Rent control also has the effect of discrimination against old buildings and discouraging maintenance thereby leading to unnecessary depletion of housing stock. In terms of economic efficiency it is inefficient because it is a tied subsidy: the tenant might wish to use the subsidy for other purposes were he given the choice.

On the other hand, if a conscious political decision is made that rent control is essential there is no reason why property taxes should be freed from that decision. If the problem is of local body finances then a matching decision should be made to finance them through other means. It is fairly clear though the rent controls have outlived their usefulness and are in dire need of a complete and rigorous examination before they are changed. Obviously, rent controls cannot be lifted overnight: it would have to be a careful and phased change. Equally obviously, tenants do need to be protected from unreasonable increases in rent: a change in rent controls would then incorporate some kind of ratchet control. Rent controls could be maintained but revised in relation to price movements at regular intervals, *e.g.*, annually.

One cautionary note: one other serious problem with the revision of rent controls is that of sticky wages in India. A significant proportion of people are on fixed wages which are indexed, if at all, with price movements only with a considerable lag. Hence it would be unreasonable to make reforms in the rent control provisions without corresponding changes in national incomes policy as part of comprehensive economic reforms.

VALUATION PROCEDURES

Even if various reforms are made in the operation of rent control acts so that properties can be valued properly for the purposes of property tax assessments, problems of correct valuation will remain. Most analysts of property tax have always lamented gross inefficiencies in assessments—as much in other countries as in India. Two kinds of reasons are usually seen for these inefficiencies:

- local bodies being at the bottom of the governmental structure get the least qualified and able politicians as well as officials. They are thus *ill-trained* or *unable* to make proper assessments;
- again, local bodies being the lowest form of elected governments they are nearest and most susceptible to parochial pressures. This has the result of *willful* corruption leading to improper assessments.

The standard solution proposed has been the setting up of a *central*

valuation authority at the state or national level. All the government committees have suggested this as well as other commentators. There is some contrary feeling that local bodies should be strengthened rather than weakened and, therefore, should be given the responsibility for making assessments. However, I feel that although local bodies do need strengthening, the advantages of a central valuation authority in this case outweigh its possible deleterious effects on the morale of local bodies.

It has been estimated (J. Madhab, 1968) that underassessment varied from anything like 25 per cent to 85 per cent of annual value. If instituting a central valuation authority (CVA) reduces even half of this underassessment it would be worth the reform. The mere establishment of a CVA frees the process of assessment from local pressures. Such an authority would be professionalised by appropriate training programmes and could, therefore, promote efficiency in that form. It can even undertake studies to determine practical ways of assessing value. The kind of systems suggested by Ramakrishna and others for the rationalisation of tax structures can be incorporated in such training programmes. If the authority is at the state level or borne on a state cadre it would have increased chances of attracting more able officials than local bodies are apt to. If a more decentralised solution is preferred, the CVA could instead be established as a training and watch-dog agency rather than as an executing agency. It would then train valuers in a systematic fashion and help in establishing valuation norms. The valuers themselves could work for the local bodies. This arrangement could have the disadvantage of susceptibility to local pressures but it would be alleviated somewhat by the CVA performing spot checks at random intervals.

The added benefits that could accrue from a CVA would be in the collection of central taxes. Since wealth, gift, estate, capital gains taxes are all dependent on urban property to a large extent a CVA could be providing data at a central level. The establishment of such an agency could have the effect of improving collection of all these taxes.

CONCLUSIONS

It is clear from the foregoing that the reform of property taxes is a very complex legal and procedural issue. It is also clear that with continuing urbanisation and the rising demand for urban services, there is no choice but to raise greater resources at the local level. Hence a major reform of property taxes is more than overdue and should be tackled with some urgency.

Ideally, a shift to capital valuation basis would be desirable in order to be able to capture increasing land values to public account at the right time. Even if this is too difficult to accomplish given that a system based on annual value is already in place, frequent and rational

reassessment of annual value would be second best solution. Not much change, however, can take place without major amendments in rent control acts so that urban housing and property markets can function more effectively and housing activity is no longer discouraged. Along with these changes the establishment of state level or central level valuation authorities would also aid in improved administration of the property tax.

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Appendix

SELECTED EXAMPLES OF STANDARDISED
ASSESSMENT IN PRACTICE

In most States annual rental value is defined as the gross annual rent at which the property may reasonably be expected to be let from year to year. Problems arise because this is a hypothetical value by definition and therefore the assessor has a great amount of discretion in the valuation procedure. Many inequities are observed as a result and some local authorities have attempted to find procedures to minimise this discretion by adopting standardised assessment procedures. Examples of such procedures in practice in Kerala, Bangalore and Bombay are given below.

KERALA

The State Government of Kerala established the Kerala Urban Development Finance Corporation in 1970 in order to—

- (i) provide financial assistance by way of loans and advances to urban local bodies in the State for their development schemes,
- (ii) provide technical or any other assistance and guidance to urban local bodies in the matter of their development schemes including implementation of the Master Plans prepared for the urban local bodies, and
- (iii) provide assistance and guidance to urban local bodies for improving their administrative machinery and procedure.

As part of its activities, the Corporation has assisted in establishing the Centre of Urban Studies at Trivandrum which is conducting various courses for the training of staff from local bodies. One of the courses which is conducted by the Centre is on Property Tax.

The Centre has developed a procedure by which "Reasonable Letting Values" can be standardised and this method is apparently being practised by local bodies in Kerala. Each property is classified according to the following groups:

- (i) *Zone*: Central Zone and Sub-urban Zone. The Central Zone is defined as the area where facilities are abundant and well developed and the rest is the Sub-urban Zone.
- (ii) *Locations*: Six classifications are suggested according to the accessibility of the building by type of road, e.g., buildings located on main roads, other town roads, motorable lanes, etc.
- (iii) *Type of Buildings*: Again there are six types suggested ranging

from modern type buildings with walls of burnt bricks, reinforced concrete, etc., to thatched huts.

These three types of classifications yield 72 cells into which buildings can be classified. It is suggested that rents be observed over the city and averages calculated for each cell. A chart with these averages can then be drawn up which would become the standard rent chart. Properties would be assessed according to this chart. It is also suggested that: "A range in such standard reasonable letting values has actually to be adopted in order to make allowances for the age of the building." The range suggested is 10 per cent above or below the standard value.

These details are given here because this procedure illustrates well how standardisation can be used as an administrative training device.

Kerala has relatively small cities (Cochin being the largest with less than 1 million population) hence locational differences within cities are not very severe. 72 cells are then sufficiently disaggregated to capture the differences in types of dwellings. Conceptually, the method is not different from the calculation of hypothetical rent: what is being done here is that this calculation is being made more systematically in order to avoid horizontal inequity. Moreover, discretion is still allowed in order to take account of individual age and, perhaps, other differences. This is as it should be. Market information itself is being used to derive the standardised rents. Such a system would be difficult to put in terms of a legal valuation code and yet retain its flexibility.

BANGALORE

Yazdani (1978) has given information on standardisation practices in Bangalore and Bombay.


The Bangalore City Corporation has developed a schedule of letting values per square metre of plinth area of properties classified according to nature of roof, nature of floor and year of construction based on construction indices. No account is taken of location. It is not clear from Yazdani how exactly the letting values are derived.

This standardisation procedure would probably lead to as many cases of 'unreasonable' assessments as the traditional method since it does not take into account variations in value according to location. If the letting values are derived from observed rentals, the method would be similar to the Kerala method (except for location) but if they are arbitrarily imposed, they would not be following the spirit of the 'hypothetical rent' idea.

BOMBAY

Bombay Corporation has given considerable attention to the problem of property valuation and is attempting to make annual revisions of

rates of taxation. One problem it has faced increasingly in recent years is that a large number of new properties are either owner occupied or belong to cooperative societies. Annual rental values are then difficult to observe. Detailed guidelines are given to adopt the 'contractor's test method' for assessment. A schedule has been drawn up for different types of construction, for different types of buildings, for different years and locations. Account is also taken of the cost of land. The method adopted is essentially to ascertain the capital value and then approximate the "fair and reasonable return on capital invested". It is claimed that with the guidelines given, assessment is mechanical and fair.

It is difficult to evaluate this method without further information. To the extent that the valuation procedure reflects the real capital value of buildings (including land) it is, in principle, approximately the 'hypothetical rent' idea since few real rents can be observed. The schedule is an administrative device where experts do the valuation and then give relatively simple instructions to the field assessors—hence avoiding individual errors as well as excessive discretion. Once again, such rules would be difficult to put into a legal code and yet retain a certain amount of flexibility. 

Letter on Measurement Approach to Rating*

YOU ASKED me to write you a few lines about my recollections of the Layfield Committee's discussions on proposals to base rating on a 'points system' or on 'measurement', that is on the quantity rather than the value of property.

My memory is that we had little discussion, since we were all agreed there was little merit in such proposals. They were pressed on us only by a few individuals who represented no major interest in society. No authoritative institution or group and no academics urged us to adopt such a policy.

We observed that the value people attach to housing—and what they were ready to pay for it—was not closely related to its size. Properties of similar measurements varied greatly in their values. Therefore one would need a system to attach a set of values to different aspects of the property, e.g., age, equipment, amenity, location and environment. This task would present major problems of devising the weights to be so attached. So it was far better to rely on what people were prepared to pay for their property, either through annual rent or through a buying price on the open market.

We also noted that there existed a profession of valuation, which over the years had developed expertise in the art of valuation, especially in cases where little market evidence was present. In their work they took account of all the factors that might be included in a 'points' or 'measurement' system, so that this approach was already incorporated, where appropriate, into the valuation process.

Therefore we felt that the 'measurement' based systems that came before us were too crude and would also not be easily comprehended by the public.

I have examined, as you asked, pages 97-116 of the book you edited.¹ My reaction is to note that Britain and India are very different.

*Letter written to the Joint Editor, *Nagarlok*, and published here for its relevance to the Indian debate on property tax reform. —Editor

¹The reference here is to the paper by R.M. Kapoor, "Finances of Calcutta Corporation—Problems and Prospects", in Abhijit Datta (ed.) *Municipal and Urban India*, IIPA, New Delhi, 1980. This was originally published in *Nagarlok*, Vol. IX, No. 1, (January-March, 1977)—Jt. Editor.

We seem to have more of an open market than you, so we have more capital value evidence of a realistic kind. Also we do not have such a problem of corruption in valuation. We have a respected profession, independent assessment and a system of valuation courts to hear appeals. In the conditions of India, therefore, I can appreciate the attractions of adopting an 'objective' measurement system, but I wonder how it can be made sensitive to the kinds of 'factors', 'variables' and 'contradictions' mentioned in the middle of page 98. Such aspects convince me that assessment for a property tax must be based on what people are prepared to pay for, either annually in rent or in a purchase price. In this way the tax will be based on the principle of 'ability to pay', and will be essentially an income or wealth tax.

I would finally urge you to consult the chapter in C.D. Foster, *et. al.*, *Local Government Finance in a Unitary State* (1980), pp. 397-412, which presents an excellent survey. You will note that the book, despite its huge size, does not consider a 'measurement system'. That is a sign of the lack of status that the proposal has in Britain.

You will note that Layfield emphasised the need for regular revaluations, preferably at 3 yearly intervals.

—G.W. JONES

Towards Better Financial Management: The Working of the Water Supply and Sewerage Department of the Municipal Corporation of Greater Bombay

A.B. MADUSKAR

A BETTER financial management means or implies ultimately a control on every activity so that the ultimate objective is expected to be achieved at the minimum possible cost. The process of control, however, is not an easy task and for attaining this control, the problem is required to be viewed from various angles. The authority which wants to exercise this control cannot exercise it effectively unless it is armed with various measures which essentially include better systems and procedures besides the suitable organisational structure.

When the Integrated Water Supply and Sewerage Scheme for augmenting the water supply of Greater Bombay was posed for assistance from the International Development Association, a detailed feasibility study was carried out and various measures were suggested. The International Development Association while sanctioning the credit of 55 million U.S. dollars for the implementation of the first phase of the Integrated Water Supply and Sewerage Scheme have put certain conditions by way of covenants which *inter alia* included conditions relating to organisational structure, accounting, budget, etc. No doubt the International Development Association reaffirmed its faith in the potentiality of the institution, viz., the Municipal Corporation of Greater Bombay, in executing this unprecedented scheme in the history of this Municipal Corporation but at the same time it expected a number of improvements from the organisation.

In the past also, the Municipal Corporation of Greater Bombay had carried out a number of schemes but they could be taken as moderate ones and in the context of the situation that was prevailing for over the last decade or so, unless there was a major breakthrough, the problem of this metropolis would have further worsened rather than getting solved. It was from this point of view that assistance from the

International Development Association was sought for. This at least ensured the removal of the constraints in respect of two major factors, *viz.*, (i) assured finance to the scheme which made the Central and the State Governments committed to the scheme, and (ii) assured imports necessary for the execution of the scheme.

Usually there is always a hue and cry about the conditions attached by the creditors while sanctioning the loans but in this particular case rather than viewing the same from that angle (*viz.*, seeing it as an unnecessary stringent condition attached, etc.), the same were modified to suit the purpose keeping the spirit behind these conditions and were welcome and it was taken up as a challenge by the organisation as such. This was taken as an opportunity to get up, build up and improve the machinery which can be brought to the standard of any international organisation in the field in every respect and every discipline.

Keeping in view the ultimate objective of maximising the service at the minimum possible cost, various measures were taken in several directions which can be grouped somewhat in the following categories:

1. Improvement in the organisational structure.
2. Budgeting, accounting and auditing.
3. Legislation.
4. Tariff Policy.
5. Development of manpower.
6. Use of modern techniques and equipments.
7. Changes in the outlook of the authority.

In the Municipal Corporation of Greater Bombay, the activities relating to the water supply and sewerage services were being carried out since long. But the concerned departments responsible for these various jobs were different. For example, the water supply service functions were being carried out by the Hydraulic Engineer's Department, while the Project Department which was responsible for executing the schemes, was functioning independently. The sewerage services were linked up with other services under the City Engineer's Department, and there was a need felt for a well-knit integrated department, and therefore, in April 1973 an Integrated Water Supply and Sewerage Department was formally established in the Corporation. The department has since been developed gradually which has specialised itself in various aspects relating to the water supply and sewerage. The department was brought under one authority for the purpose of administrative control, *viz.*, the Deputy Municipal Commissioner (Special Engineering) and clear-cut service divisions and auxiliary service divisions were established. For example, all the functions of stores and purchase were pooled together and brought under one common discipline. Similar was the case in

respect of transport, long range planning and so on. A special wing, viz., the Common Services Division was established which was headed by an officer of the rank of Chief Engineer and the wing was made responsible for purchases and stores, transport, security arrangements, long range planning, project monitoring and so on. The service divisions, viz., Water Supply Operations and Sewerage Operations as well as Water Supply Project and Sewerage Project were relieved of other-botherations and could concentrate on their own jobs. The main divisions of the Water Supply and Sewerage Department are as follows:

1. General Management under the Deputy Municipal Commissioner (Special Engineering) which was a small nucleus generally responsible for the policy matters and overall guidance.
2. Common Services, as indicated in the foregoing paragraph, responsible for all such activities which are common to all the divisions in the Water Supply and Sewerage Department.
3. The Finance and Administration Wing which is mainly responsible for accounting, internal auditing, disbursement of salaries, etc., treasury and overall financial control.
4. The Water Supply Operations Division is mainly responsible for the distribution aspect which of course includes part of the operation and maintenance system.
5. The Water Supply Projects Division is responsible for the execution of the scheme.
6. The Sewerage Operations Division looks after the maintenance and operation of the sewerage system.
7. The Sewerage Project Division is mainly responsible for execution of the scheme.

The Municipal Chief Auditor is responsible for carrying out the statutory audit of this department also along with other departments of the Municipal Corporation of Greater Bombay.

Restructuring of the organisation on a systematic way helped in many ways. Some sort of specialisation was developed. There was no ambiguity in the hierarchy of the authorities and the decisions could be implemented, as the principle of unity of command was strictly observed. Even with the principle of unity of command, the horizontal and vertical correlation in the organisational hierarchy was systematically maintained so that a proper coordination was established in the various wings which could solve a number of problems. It also helped in developing a proper budgeting and accounting system and the element of responsibility accounting could be introduced. This accountability

factor is very important from the view point of any measures relating to the financial control.

No doubt, there is a lot of scope for further improvement and sophistication but what has been developed so far is an attempt from the viewpoint of systematic development which is consistent with the ultimate goal.

From April 1, 1974 a separate budget was carved out from the general budget of the Corporation. This separate budget for the purposes of water supply and sewerage services is known as Budget 'G' which originally formed part of Budget 'A' of the Municipal Corporation of Greater Bombay. The format of this budget was structured in such a manner that it could be understood easily by the operating divisions. In fact during the months of September-October 1973, the senior officers of the Finance and Administration Wing had taken special efforts to ensure that the budget proposals were received in the new format and that the change was understood by the concerned employees. The format was based on the modified organisational structure and the new accounting code also was developed from the commercial accounting point of view. The budget heads for all the divisions were kept common irrespective of the fact whether some of the heads may not have been applicable to certain divisions. This was done with a view to maintaining uniformity and simplification for compilation and summaries. The format was structured also from the viewpoint of performance budgeting (though in financial terms and also the portion related to the capital expenditure/capital budget was structured from the viewpoint of totality as against only the yearly target). In a nutshell the capital budget indicates probable expenditure up to the end of the financial year, expected expenditure in the budget year as well as the expected expenditure in the next few years till the sub-project is completed. This had relevance for the individual PERT charts prepared for each sub project. An effort was also made to establish correlation amongst various sorts of budgets, *i.e.*, operation budget, materials budget, cash budget, etc., by indicating the budget for the stores and the source and application of funds statement.

Besides the statutory budget which was mainly meant for the purpose of the deliberative wing, efforts were also made to introduce the concept of periodical budgets for the management and here the emphasis was mainly on the capital budget since the curve of the operation budget is usually an even one and there are hardly any fluctuations. A continuous periodical review of the progress of the works *vis-a-vis* budget provisions as well as the estimates indicated in the management budget helped to throw sufficient light on the shortcomings, constraints or limitations as well as wherever possible corrective measures could be

taken. For the purpose of this, it was obvious that up-to-date information should have been readily available with the management which mostly depends on the proper accounting system. For the purpose of up-to-date recording as well as with a view to reducing the element of unwieldiness, the entire accounting was decentralised and the system has been in existence since April 1, 1974 along with the budget. At various places all over Greater Bombay, small accounting units were opened which were made responsible for maintaining the accounts of the transactions carried out by the executive offices in the vicinity and attached to that accounting unit. All the sets of accounts, viz., cash book, ledger, budgetary control books, etc., are maintained at these places and at the end of the month only a trial balance is submitted to the Head Office along with the relevant statements and a compilation is made at the Head Office from which the total picture of the Water Supply and Sewerage Department is available. Even though this information is only in financial terms, it helped a lot in having a proper control over various activities since on the spot accounting information is available to the Officer at the level who is directly responsible for carrying out those operations. The system of accounting is not only decentralised accounting system but also responsibility accounting system by which the accounts are maintained responsibility codewise. A proper accounting code as well as a responsibility code has been developed which has brought uniformity making the compilation very easy but at the same time makes it meaningful for the officers of the executive divisions at various levels of responsibility.

Similarly, contrary to the tradition of the government accounting system, the accounts of the Water Supply and Sewerage Department are being kept on the basis of commercial accounting system since April 1, 1974. The commercial accounting system is the most scientific method of accounting which has taken into account the elements of outstanding liabilities and accounts receivable which gives the correct picture of the transactions during a particular year and the correct state of affairs at the end of the year. After the transitory period of 2-3 years, the system has now been well established and the executive wings are also now well familiar with the concept of commercial accounting system. The decentralised set-up has also helped in expediting the transactions in the organisation right from certification to the payment stage which has brought a sort of discipline in the entire department. Development of a responsibility code structure based on the level of responsibility as the nature of activity also helped in identifying the expenditure not only of officers (up to a particular level) but also activitywise which ultimately will help in developing a proper cost accounting system.

As regards auditing aspect, without sacrificing the basic principles of audit and that too audit in the public body, more emphasis has

been laid on the audit regarding propriety instead of the routine audit which is more concerned with the procedural aspect. The propriety audit really knows no limits and in every sphere of the activities carried out by the department, the audit tried to have its own impact the basis of which was mainly self-discipline. As a matter of fact, *self audit* is the crux of the philosophy of financial management. Every officer at a particular level responsible for carrying out various activities was fully apprised of these principles of audit in respect of grant (provision in the budget), procedures, rules and regulations, provisions in the Bombay Municipal Corporation Act and above all the *propriety*. In fact so far as the propriety aspect is concerned, it is a continuous process towards achieving the objective at the minimum possible cost. This required reorientation in the approach or outlook of the authorities at various levels in the administration. A procedure was, therefore, adopted by which certain important aspects were discussed threadbare at the meetings of all the Heads of Divisions of the Department which made it easier to understand not only each other's problems but apprised every body about the practical difficulties in execution, etc., as well as the limitations in the public sector. There were also many times a contribution by way of constructive suggestions from different corners which made the officers to think not in a dogmatic manner or one-sided way but the things could be viewed in the overall perspective and an intergrated approach could be taken. It need not be emphasised over here that when things are viewed in totality and an integrated approach is taken, in the ultimate analysis it becomes the most economical solution or least cost solution from the viewpoint of attaining the objective as such. Gradual percolation of this pragmatic approach at the lower levels brought out the desired results which helped in reducing red-tapism, thereby increasing the efficiency which ultimately meant a step towards better financial management.

For the purpose of this, however, it was necessary to develop a manpower in a systematic manner for which an attack was made in three directions, *viz.*, recruitment, training and on the job training. Knowing fully well the limitations in this respect, particularly in a public body like the Corporation, every effort was made to choose or select the persons keeping an eye on the purposes of the organisation. For example, in the Finance and Administration Wing (which is responsible for maintaining the accounts of the department on the commercial system and is also responsible for the internal audit and financial management) the recruitment at the lower cadre was made only from amongst the accounts graduates who naturally had good academic background so far as commercial accounting is concerned. Subsequently proper training was imparted very systematically as the entire programme has been chalked out by a Special Training Department which has

taken great efforts in structuring a detailed training programme not only for the ministerial staff or higher technical staff but also for the categories like skilled labourers and artisans. During the last 3 or 4 years, the results of this training are seen and experienced. It is a well known fact that the importance of the training during the service or after appointment is not considered very seriously in the public sector as such or is considered as a fashion of the day. Fortunately so far as the Water Supply and Sewerage Department was concerned, the top management of the same was in fact a committed one and encouraged the training aspect which they firmly believed is essential for the purpose of developing the manpower. Ultimately, the utilisation of effective man hours in a systematic way is the real input in the organisation which has got a direct bearing on the financial control. One of the major factors responsible for the reduction in the under-utilisation of man hours was this training aspect. For example, a new recruit in the finance and Administration Wing was made to know the purpose for which he has been employed and his role in the entire machinery of the organisation as such. Once he knew the purpose of his job it was easy to utilise his services to the maximum possible extent and all the redundant activities were eliminated. Secondly, by using the O&M techniques in industrial engineering an effort was made to systematise the chain of activities in the organisation which tried to eliminate all unnecessary activities or jobs. An effort was also made to improve upon the size of the gangs in the field consistent with the nature of the various jobs in the field and with the same quantum of labour increased activities could be carried out. It is from this point of view that it could be said there were definite signs of improvement in efficiency. The Finance and Administration Wing all the time is constantly aware that the criteria for efficiency is not reduction in expenditure in financial terms, but the reduction in the input in physical terms for getting the same amount of output. Considering the expansion in the activities which particularly aimed at more and more equitable distribution of water supply and more and more facilities in respect of sewerage services, obviously there could not have been less and less expenditure. Similarly the factor of inflation is totally outside the control of the Municipal Corporation and this factor was well taken care of while framing the financial budgets either for a short term or a long term one. An effort is, therefore, made to develop a proper costing system wherever it is relevant since the ultimate objective or aim is not to have a system for the sake of a system but to use it as a tool for control. It is from this point of view that certain systems or information reports though were good as a system or report, were discontinued when it was found that they did not serve the useful purpose of taking corrective actions in time and having proper control.

This was observed in respect of certain detailed reports where preparation of the detailed report itself became a task and could be compiled much late. A continuous effort is, therefore, always made to simplify the management reporting system as far as possible. The emphasis is more on action rather than the formalisation of every thing though it is always considered necessary to systematise and proceduralise everything in the public sector.

Use of modern techniques, like PERT, CPM have helped a lot in having a proper supervision over the execution of the works. Of course, the constraints or limitations in this respect were also experienced particularly during the last few years which had witnessed strikes, lock-outs, shortage of cement, sand, etc., affecting the progress of the project to a very great extent. No doubt it is very difficult to quantify the effect of these factors on the progress of the project but even considering these constraints or limitations wherein the factors are beyond the control of the executive authority, the basic techniques were still followed and though with certain delay it has now become possible to complete the first phase of the Integrated Water Supply and Sewerage Scheme of Greater Bombay in the current year. It is also pertinent to note that even with the inflation, which was a little unprecedented for the last couple of years, there is hardly any variation between the estimates of the total project cost and the actual total cost. Here it is also to be pointed out that an effort was made to develop a proper monitoring system for executing the project according to schedule. The major deviations were always reported to the highest authorities immediately with a view to taking corrective actions. Even though the executive wing is responsible for getting the work done as per schedule, the role of the contractors as an institution also is one of the important factors. This reality has always been taken into account and rather than taking a legalistic view and leaving everything to the contractors, always efforts were made to ensure timely completion of the jobs as far as possible by solving the difficulties of this agency whenever such difficulties were beyond the control of these agencies. While determining the agency, the performance factor was always considered. A system of registration and awarding classification to the contractors depending upon their capacity in respect of financial position, technical ability, etc., was developed. Similarly with a view to avoiding the speculative aspect in this business a formula was developed and introduced in the contract conditions by which contractors were insured against inflation as they were entitled for automatic escalation on the basis of the cost of living index. Since the important controlled materials like cement and steel were to be provided by the Corporation, the effect of this automatic escalation was applicable to the remaining portion of the contracted amount. On account of this rational and objective way of insuring the contractors against

escalation, the percentage quoted by the contractors were more responsive and competitive since the speculative aspect in the bidding was reduced to a very great extent. In respect of decisions regarding recommending the tenders also the decision was always taken at the Tender Committee meetings initially where it was possible for the Chief Engineer and the Chief of the Finance and Administration Wings to discuss the issue and submit the viewpoints and exchange experiences. In most of the cases the decisions of the Tender Committee were ultimately upheld by the authorities, *viz.*, the Standing Committee which is the competent authority to decide upon the tenders.

Since an unprecedented scheme was to be carried out it was necessary to ensure the supply of materials in large quantities for the execution of the scheme and an effort was made to establish the purchase and stores organisation on modern lines. Simultaneously, a proper stores accounting and inventory control system was developed which has been computerised. The computerised system is getting stabilised but even up till now it served a lot of purpose inasmuch as things which could not be done in the past could be done with the help of the computer. Maintenance of value ledger is one such important matter. An analysis of obsolete items and disposal of the non-moving items has not only fetched good amounts but also cleared the stores space for stacking other materials. Even though all the modern techniques in respect of stores and inventory control like maintenance of various stores levels (replenishment level, reordering level and so on) are observed, always a realistic view was taken considering the present condition in Indian markets. With this realistic view there was hardly any shortage felt by the organisation except that of cement in the recent past.

Use of computer in the water charges billing has resulted in reducing the time necessary for the billing cycle right from the meter reading to the issuing stage. This has ensured early collection of the amounts as well as improvement in the entire system of billing and consumers accounting. No doubt the improvement is still in process and we have not yet completely established the consumers' accounting system. The use of the computer for payroll and provident fund accounting has further ensured quick and neat results and the various other outputs as byproducts have served different purposes bringing up the general efficiency in that direction.

Along with development of the proper stores organisation a certain amount of specialisation has been achieved in international purchases or the International Competitive Bidding tenders. Since time is the essence of every thing, the entire aspect was always viewed from this angle. It is always borne in mind that early completion of the scheme means less expenditure in monetary terms particularly in inflationary situation and early returns from the completed assets. Similarly the aspect of certain

minimum level of service was always kept in view but the additional or extra investment was scrupulously examined to ensure that only just and adequate expenditure is made over this. The regulation aspect in respect of supply of water is another factor which also was required to be viewed in a proper perspective. Measures like leak detection and waste prevention helped in increasing the revenue to a certain extent. From the viewpoint of regulatory aspect, a quota system to the industries was introduced and strict observance of the quota system and penalty for under-utilisation or over-utilisation of the services made a desired impact wherein the amount of penalty was not the objective, though in the initial year a very heavy amount of penalty could be collected, but the regulatory aspect was emphasised upon; which aimed at diversion of the potable water to the needy domestic consumers beyond a certain consumption by the industrial consumers.

Considering the constraints in respect of inflation, shortage of materials, shortage of energy, an effort is always made to utilise maximum physical resources like labour, and materials at our command and increase the productivity with the vigorous aid of financial control measures as discussed above, but, at the same time, unless this is coupled with a proper tariff policy it will be difficult to get the desired results. A detailed thought is always given to this aspect of tariff policy wherein we always aimed at devising the proper tariff structure by which we may maximise the revenue without compromising with the basic principle in any ideal tariff system. An effort is made to combine the important canons of taxation like paying capacity, cost of service, benefit derived, etc., and at the same time we made it as simple as possible from the view point of not only consumers but also from the view point of collection. Instead of building up a new organisation for collection for the Water Supply and Sewerage Department, the collecting agency in the Corporation itself, viz., the department of Assessor and Collector was made use of for this purpose. A discriminatory tariff structure wherein the industrial or commercial user is charged eight times the domestic user no doubt subsidised the domestic consumer heavily which perhaps may not be that desirable from the cost consciousness point of view but even considering the fact that a large portion of the urban poor dwelling in hutments practically gets free water supply at least at a minimum level, the total revenue collected for the last three years had not only met the revenue expenditure but also financed the capital expenditure. The present tariff structure from that point of view perhaps could be taken as an acceptable one as there is hardly any direct incidence of taxation on the common man; while the industries pay only a fraction of the percentage of their total cost on this count and still, on account of the complex nature of the consumers in Bombay, it has been possible to generate so much revenue. Billing cycle on the basis of ABC analysis

(by which the high consumption bills are issued every month while others are issued quarterly) also improved the cash flow. Introduction of the benefit taxes exploited the paying capacity of the affluent sections of the society which perhaps would not have paid to the organisation on the basis of the actual consumption. Improvement in the meter workshop, efforts to concentrate on the performance of the meters with a view to reducing the gap cases (they are as high as 30 per cent on account of the proportion of the meters going out of order) are other measures by which we are trying to ensure that there is no leakage in the revenue. The necessary machinery on a small scale has been created for this purpose.

In a nutshell to conclude, it could be said that with the given constraints and limitations wherein lot of things are beyond the control of the organisation, a continuous effort is made to have proper financial control in the organisation by maximum utilisation of the available resources, viz., manpower and materials, introduction of various modern techniques and equipments, and emphasis on physical achievements. The Finance and Administration Wing is involved in all the major decisions wherein this ultimate objective of service is never lost sight of and where again reduction in expenditure is not taken as a guideline but the maximum service at a minimum possible cost is taken as a guideline. It is very difficult to establish the parameters or norms in physical terms but a meaningful comparison is always possible with the best judgement, and experience of the concerned in the line. Continuous improvement in the systems (may be related to budgeting, accounting, auditing, reporting, techniques, etc.) is the key word. The tariff structure also has been devised so as to exploit the situation in respect of the peculiar complexion of the consumers wherein differential tariff was possible. Wherever necessary modifications in the provisions of the Bombay Municipal Corporation Act were got done though they mainly related to the budget, accounts and the taxing powers. Development of manpower and imbibing the awareness of all the factors related to financial control also helped in expediting the things and giving the desired results. No doubt without undermining what has been achieved up till now it is to be noted that there is a long way to go as yet, particularly in the context of the second challenging scheme which is required to be completed against heavy odds within the next 5 to 6 years. □

Book Reviews

A Study of the Resources of Municipal Bodies, NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH, New Delhi, 1980, p. 268, Rs. 100.

The study arises out of a project funded by the Union Ministry of Works and Housing and is mainly focussed on the resource mobilisation possibilities of municipal finances in India. The analytical aspects of the study are fairly satisfactory compared to the usual pedestrian literature on the subject and the presentation is also neat. The study consciously attempts to take an objective stance on controversial issues and is generally sympathetic to the institution of municipal government. The debit side includes a small sample size (only 39) which neither portrays the size-class distinctions or inter-state variations, with the result that no meaningful cross-sectional analysis or comparisons could be attempted. The second drawback is in the treatment of the problem areas, particularly the controversial and complex questions, like, the property tax base, octroi abolition and grants policy, have been covered in a test-bookish manner, without adding any fresh insights into the issues involved. The questions are fairly old and countless official reports have mulled over them quoting each other and not adding much at the end. One would have hoped that an independent research organisation, like the NCAER, would put a knife into the tome of official mass and search out the essentials. That hope has been sadly belied. The actual text of the book consists of only 95 pages of 'distilled wisdom' in an area which is fairly well documented. Here brevity could have been a virtue if the content was illuminating; but the present book while failing to show light, also avoids bearing of fruit.

—ABHIJIT DATTA

The Income Approach to Property Valuation, ANDREW BAUM AND DAVID MACKMIN, Routledge and Kegan Paul, London, 1979, pp. x + 205, £3.95.

Valuation of property is, as everyone in the business knows, a tricky affair, for it essentially implies speculation as to how much a property would fetch on a hypothetical sale. No wonder, therefore, that no two

valuations ever agree. Yet fair valuation of properties at a given point of time is often crucial for many matters, most importantly, taxation. Where property constitutes the base for taxation—possession of property being an obvious index of ability to pay, property has been a favourite base for taxation since olden times—equity demands that each taxpayer's property be valued fairly, which means, according to some uniform and objective criteria. Attempts have, therefore, been made to evolve rules to guide valuers and reduce the area of subjectivity in valuation. *The Income Approach to Property Valuation* by Baum and Mackmin is a very valuable contribution to this effort.

Starting with a remarkably lucid exposition of 'Valuation Mathematics', that is, mathematics which everyone aspiring to master the techniques of valuation must be thoroughly conversant with, the authors proceed to explain the basic principles governing the valuation of income-producing property under varying forms of ownership, viz., freehold, leasehold, and multiple interest, and for various types of tenancies and landlord-tenant rental arrangements. Complications arising from 'variable profit rents' and 'taxation' are also explained and ways in which the income-method can be applied for property valuation demonstrated with carefully chosen examples. Finally, the impact of risk and uncertainty is introduced into the framework and the reader is led on to take a peep into the possibilities opened up by the use of computers in valuation.

Not all the material presented in the work is novel. Practitioners already in the field will be familiar with much of what makes up this volume. Yet, there is a distinct freshness about the manner in which the material has been presented. Complex ideas have been put forward in terms which can be comprehended even by the uninitiated. What is more, approaches to valuation have been woven into a conceptual framework which is lacking in most of the work in this area, but without which rules can have no meaning.

A notable conclusion that emerges from this work is that valuation cannot possibly be reduced completely to a mechanical application of mathematical formulae. For, to quote the authors, "Valuation is a process which requires careful consideration of a number of variables before figures can be substituted in mathematically proven formulae. Any assessment of present worth or market value can only be as good as the data input allows and that factor is dependent upon the education, skill and experience of the valuer. Ability to analyse and understand the market is of paramount importance" (p. 53). Nevertheless, it would not be wrong to liken valuation to a science, "not because of any precision that may or may not exist, or because in part it involves certain basic mathematics, but because the question 'How much?' poses a problem that requires a solution. The scientific approach to problem

solving is to follow a systematic process" (p. 53). How systematic and, therefore, scientific, the process can be is demonstrated by the authors with great care and skill.

Of particular interest would be the last chapter—"The future"—in which it is shown how risk and uncertainty enter into the valuation process, how they create wide variations in the results depending on the assumptions one makes about the future usually embodied in the discount rate and how the areas of divergence between valuations based on alternative assumptions can be reduced by employing statistical techniques and using probabilities (relative frequencies) of occurrence of the yields and the rental levels assumed. The chapter closes with a reference to the use of the regression analysis for purposes of valuation. The reference, unfortunately, is a little too brief especially since the authors themselves recognise that "A major development in appraisal techniques in the near future will be the use of statistics". Nevertheless, one can get a flavour of what statistics can do for valuation.

There can be no doubt that the literature on valuation is enriched by the publication of this work. Within a brief compass it presents the intricacies of what may be regarded as the most rational approach to valuation, viz., the income route, with lucidity but without sacrificing depth. The chapterwise bibliography at the end is an added attraction.

—AMARESH BAGCHI

Land and Property Values—An Analysis of Environmental Impact, R.K. WISHWAKARMA, IIPA, New Delhi, 1980, p. 128, Rs. 50.

There appears to be a general belief that increases in the value of urban land and property have been very high as well as unwarranted in recent years. While it is possible that this belief is true there are no data that can be marshalled to verify or refute it in any city in the country. The bibliography in the volume under review is remarkable in that it contains no reference to any other empirical study of land and property values in any city in India—save the author's own M.Phil. dissertation. Wishwakarma is therefore to be congratulated in attempting to conduct this unprecedented study. But I am afraid that this is the best that can be said about this study. The author has missed a great opportunity of doing a path breaking study. Instead the volume clouds the issue of urban property and land values more than it clarifies.

It is a slim volume. The first three chapters set the stage of the empirical work. The first chapter delineates the scope of the study, its objectives and the key dimensions of the urban environment.

The second chapter gives information on the recent history of capital expenditures on urban infrastructure in Delhi. The main argument put forward is that the pattern of expenditures reveals that far more has been spent on services which benefit the better off as opposed to the poor. The third chapter gives a cursory review of the literature and introduces the concepts of land value, rental value and rateable values. The hypotheses to be tested are also stated. The main empirical portion of the study is presented next: of 42 pages 24 are tables giving the results of endless regressions. The last chapter summarises the results of the study along with their policy implications.

The study of the variation in land values within a city is complex theoretically as well as empirically. Theoretically, it is difficult because land values are the result of the simultaneous working of different facets of an urban economy which ultimately yield the demand for and supply of land. Ideally, land values would be determined within a simultaneous equation model of the urban economy. Such a model would include simulation of the housing market, the transportation system, the labour market and the activities of public sector and their interactions. Land would enter each of these sub-systems and hence land values would be determined as part of the solution to the whole model. An example of such a theoretical model is Mills.¹ A land value function is one of the key results of that model. The empirical application of such a model becomes even more difficult since, usually, space has to be introduced in a discrete fashion, (e.g., as a finite number of zones) rather than as a continuous distance function. The point of mentioning this is to demonstrate that the task that Wishwakarma has set himself is a complex one. It would be foolhardy to attempt as complex a model. However, when simplifications are made to be able to deal with the reality of the data at hand, it is even more important that concepts are made clear and the formulation of estimated equations be done carefully and made as simple as possible. This is what is lacking in this study despite the fact that the author appears to have a good set of data.

The key error is that the author has not distinguished adequately between *price* and *expenditure* (or value). He is, on the one hand, trying to explain the variation of property values (rental values or rateable values) and, on the other, the variation in land *prices*. Indeed, many of his conclusions are based on the lack of a strong relationship between property values and land prices. One would expect a strong relationship

¹Edwin Mills, "An Aggregative Model of Resource Allocation in a Metropolitan Area", *American Economic Review*, Vol. 57, No. 2, May 1967, pp. 197-210.

between property prices (e.g., rental per square foot of built-up space) and land prices but not between property values ($p \times q$) and prices. This problem has been dealt with in different ways in the literature which is cited by the author himself (p. 24). It is obviously difficult to observe property prices: one can merely observe property values or rentals. The usual procedure is to take a sample of slightly homogeneous properties and then regard the expenditure as the price (since Q is then uniform). In the US this is easier since single family homes are similar in many respects. This, however, is not so easy in India because of the wide variation in dwelling types. The explanation of variations in property values is then done by the estimation of hedonic price indices for the various components that go into a home, including total land area and built up area. One set of variables can be the intrinsic components of the houses (no. of rooms, no. of bathrooms, windows, doors, land area, built up area, etc.) and another set can be neighbourhood characteristics (e.g., access to markets and schools, average family income, etc.) The coefficients of these variables would give their implicit 'hedonic prices' or the determinants of property value. The author, unfortunately, has not specified his functions carefully and, as they stand, are difficult to interpret. For example, in explaining variations in property value, it makes little sense to regress it against land price (p. 35, model 4).

$$y_2 = a + by_3 \quad \dots\dots\dots(1)$$

where y_2 = annual rental value
 y_3 = land value per square metre

Now, we can write²

$$y_2 = p_1 x_1 + y_3 x_2 \quad \dots\dots\dots(2)$$

where x_1 is the built-up area
 p_1 is the price (or rental) per square metre
 x_2 is the land area of the property
 and y_3 is land value (or rental) per square metre

$$\text{Now } \frac{dy_2}{dy_3} = b \quad (\text{from equation (1)})$$

$$\begin{aligned} \text{but } \frac{dy_2}{dy_3} &= \frac{d(p_1 x_1 + y_3 x_2)}{dy_3} && (\text{from equation (2)}) \\ &= \frac{d(p_1 x_1)}{dy_3} + x_2 \\ &= \frac{p_1 dx_1}{dy_3} + x_1 \frac{dp_1}{dy_3} + x_2 \end{aligned}$$

²It is usually difficult to split up the value of property into the land component and building component in this manner. But this is done here for simplicity.

We can assume that land price has no effect on building costs,

$$\text{i.e. } \frac{dp_1}{dy_3} = 0$$

hence

$$b = \frac{p_1 dx_1}{dy_3} + x_2$$

The interpretation of b is then not straight forward. Since x_2 is land area it is likely to be a large number. In equation 4 (p. 37) $b=13.86$. It is therefore a large number—but is difficult to interpret it any further. The author is careless (and confused) enough to misinterpret his own mis-specified equations! According to *his* specification b , in equation 4 (p. 37), is $\frac{dy_2}{dy_3}$ i.e., marginal increase in rental for a Re. 1 increase in land price. He interprets it as its reciprocal, i.e., marginal increase in land value because of Re. 1 increase in rental. Many of his conclusions are based on this misinterpretation of this mis-specified equation: that rental does not rise adequately with land values.

There is one interesting and positive result in this study: Equation (2) (p. 37) regresses rateable value against rental value. An R^2 of 0.99 is obtained and a coefficient of 0.68. The high R^2 indicates that property valuation by local authorities in Delhi is *not* haphazard as is often claimed (including by the author), but very regular. Second the average assessed value is 68 per cent of actual rental value. Given the various deductions and concessions given for owner occupied houses, house repairs, etc., 68 per cent is a high figure and approaches the maximum that can reasonably be expected even from an efficient administration. One must conclude that all is well with property valuation in Delhi. The author, however, misses all this since he misunderstands his own specification—this equation is merely descriptive while he regards it as causal. He then regresses rental values against rateable values and, predictably, gets almost the reciprocal.

There are then presented an unending set of regressions which cannot be interpreted since property values have not been standardised. There is little attempt at justifying the specifications whether linear functions or Cobb-Douglas functions should be used. It is also unclear if the Cobb-Douglas function has been transformed to the log-log function for estimation as it should be. The author is also confused between elasticities and growth rates: his definition of elasticity on p. 17 is in fact the definition of an exponential growth rate. It is no small wonder then that his interpretations of the results are as if he had time series data when he is working with cross-section data.

Apart from all these technical problems, there is another substantive comment which needs to be made. The land market of Delhi is highly imperfect because of the virtual monopoly of the Delhi Develop-

ment Authority on new development since 1960, the existence of the New Delhi Municipal Committee (NDMC) area which is almost all government property, and the existence of the Delhi Cantonment. 'Real' land and property values are, therefore, difficult to observe. Any study of land and property values in Delhi must, therefore, deal with these features carefully and assess their impact on the land market.

—RAKESH MOHAN

The Author's Reply

While I am thankful to Rakesh Mohan for reviewing my book *Land and Property Values: an Analysis of Environmental Impact* given above, it is disheartening to note the several lapses in the review.

The reviewer himself admits that the study is the first of its kind in India. Therefore, it is but natural that such a study will have its own problems in terms of the presentation of facts and analysis of data.

In my view Mohan has tried to superimpose his own perception of the problem without bothering to read carefully: (i) the nature and scope of the study, (ii) its objectives, and (iii) empirical verification of the hypothesised relations.

To clarify the issues raised, one by one, it becomes pertinent to state here first the objectives of the study. These are given as follows (p. 7 of my book):

1. to study the growth and pattern of capital expenditure on different 'environmental' and 'amenity' factors in relation to the growth of population and income;
2. to study the relationship between urban land values, rental values and rateable values and to explain their differentials and gaps;
3. the study how and in relation to what 'environmental' and 'amenity' factors did these values vary;
4. to study how these variations measure the contribution of each factor and provide a positive basis for policy options in decision making; and finally
5. to suggest suitable areas of research for a more comprehensive study.

To start with, Mohan has raised the following issues in the review:

- (i) the volume is slim
- (ii) 'casual interpretation' of specified models;

- (iii) no adequate distinction has been made between price and expenditure (or value);
- (iv) lack of strong relationship between property values and land prices;
- (v) standardisation of property values;
- (vi) introduction of space in a discreet fashion (as a finite number of zones) within the framework of simultaneous equation model to solve the problem of land values complex; and finally,
- (vii) questioning the interpretation of the results of the exponential growth rates in Table 1 and elasticities in Table 3 (chapter 2, pp. 16-19). To quote "it is no wonder that his (author's) interpretation of the results are as if he has the time series data when he is working with cross-section data" (parenthesis added).

As regards the first two points, my answer is that although the volume is 'slim', it is not shallow. Mohan states that the second chapter of the study "gives information on the recent history of capital expenditure on urban infrastructures in Delhi" (p. 96 ante). In fact the second chapter deals with the environmental structure and growth of capital expenditure in Delhi and not the history. I am sure the reviewer knows the difference between 'growth' and 'history'. Likewise, his issue (iii), a categorical advice "to distinguish between price and expenditure (or value) (p. 96 ante) and treating the latter as synonymous with the value of land", is also a point in this direction. It will look funny, if any further comment is made on this unwanted analogy.

Coming to the next issue of the lack of strong relationship between property value (rateable value) and land price, I would like to give the gist of the conceptual framework used in my study. To quote the study, "the value of land, unlike the price of land in terms of monetary measure of value is neither a price deflator nor it explains the relation of 'high rentals' with those of rising prices" (p. 26). In the Ricardian sense "there is an inverse relation between the two. Land prices are high not because value of land is high. Since value of land includes "the right to benefit by the services rendered by it", the derived demand for land in terms of housing and an expected high rate of return from rentals can also be associated with higher urban land and property values" (p. 26). This land value is the capitalised value of land and the rental value is a certain percentage of this capital value. Rateable value is the definition of the base as the expected or 'notional' rental value of property. It is a hypothetical rent for a hypothetical tenant. It poses a great assessment problem with respect to the quality of environment, based on the structure, architectural beauty, the quality of construction, space area covered, the amenities and services inside, etc., which are hetero-

genous in character . . . The problem of separating the land portion from the total value assessment of property is not only difficult but also meaningless (pp. 23-24). This is so because, there is no direct relation between rateable value and land price. Land price enters into rateable value *via* rental value. Property value includes both land value plus capitalised rental value; the latter is not synonymous with property value. I thought this simple distinction should be clear to the reviewer.

The fifth issue of standardisation of property value has its own history which can be seen in retrospect of Mohan's review of the book: *Municipal and Urban India* (collection of papers) edited by Abhijit Datta,* In this review Mohan states that "A negative mention must be made about R.K. Wishwakarma's 'Land Values in Delhi'. This is a model of empirical work that should not be done."† The reasons given are that, first, "property values are not per unit area values. Rather, they are some kind of unspecified averages of what are characterised as homogeneous properties in different areas".‡ And secondly, "they are property values and not land values". Based on these arguments Mohan advocates that since land value is a complex problem, empirical work should not be done. I feel this is not correct. His observation that the property values are "some kind of unspecified averages" seems to be distortion of facts. Has he not overlooked the specified averages? There is no single average value of less than Rs. 16,000 per annum. Because, to bring about homogeneity in property values, samples were selected only of those properties which had an annual rateable value of Rs. 16,000 and above. I did not understand the logic of "unspecified averages" in this review. It has not also been suggested by Mohan how much more homogeneity can be brought about than this.

Next, Mohan is perhaps not aware that the municipal records do not have information on values per unit of space; rather they show only propertywise, sitewise, or by dwelling units. Therefore, to me, there cannot be any better solution than the scale of values. I may add that it would be in the fitness of things, if a reviewer, before attempting a review of any empirical study, sees first the data base, its limitations, and assumptions as acknowledged by the author. In the present context, the reviewer would have benefited if he had referred to the municipal records concerning property values (rateable values).

The sixth issue raised is the introduction of space (as a finite number of zones) within the framework of simultaneous equation model. This was not the intention of the study, but this aspect is implicitly contained in it. Anyway, I welcome this proposition in the spirit of the

*"Book Reviews", *Nagarloka*, Vol. XII, No. 4, October-December, 1980, pp.99-103.

†*Ibid.*, p. 101.

‡*Ibid.*, p. 103.

fifth objective of my study (p. 7). In analysing the problem of the land value complex, besides "the intrinsic components of the house", as suggested by Mohan, there are many other factors, like the inflationary pressure of the growing environment, boom psychology, tendency to hold land for speculative gains, creating a gap between demand and supply, the uncertainty about the future development enunciated in land-use plans, and above all, the low pace in the delivery of services commensurate with the growth in population and development and disposal of land (pp. 78-79). But this formed a part of the author's comprehensive study to complain the phenomenon of land value complex within a larger framework (p. 79). It is not that the author is not aware of the problem but he had to build up his models within the objectives set out in his study.

Finally, coming to the last issue (vii), Mohan has challenged the time series data and hence the interpretation of the results of the exponential growth rates (Table 1) and elasticities (Table 3) as given in chapter 2 (pp. 16-19) of the book. In fact these have actually been worked out on the basis of the time series data for the period from 1970-1975. When a time series data has been used, I don't understand why the reviewer has raised this question at all. Then, why not a cross-section data as a time series data, if he is capable of treating a five year data as a cross-section data?

Reviewer's Rejoinder

It was with considerable regret and reluctance that I had written the review above; but given the task of reviewing this book there was little choice in what had to be written. I was particularly hesitant since, as I had stated, Wishwakarma's study is a pioneering study in a field, hitherto untouched in India and a field that should be encouraged. It is, therefore, with even greater regret that I issue this rejoinder, uncommon as it is to even issue a reply to a book review in an academic journal.

Wishwakarma's reply does not help to clarify the issues I had raised and therefore speaks for itself. I will only remark on a few points of fact.

- (i) My purported categorical advice is stated to be "to distinguish between price and expenditure (or value)" (p. 96) and treating the latter as synonymous with the value of land (sic!). Readers may attempt to find this nonsensical sentence in my review.
- (ii) Wishwakarma's confused reference to the sample of properties above Rs. 16,000 pertains to his earlier article mentioned by

him, not the sample used in this book. There is no information, incidentally, of the sample size in the book under review, nor of the spread of property values.

- (iii) Wishwakarma refers to time series data between 1970 and 1975. He is presumably referring to the capital expenditure (growth not historical, data in chapter 2. My reference is obviously to his 1977-78 cross-section property value data.

In conclusion I would merely like to ask the following question: Is it defensible to use data on oranges in order to explain the demand pattern for apples with the explanation that there were no available data on apples? □

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Book Reviews

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Editorial

It is a matter of satisfaction to us to be able to present a bunch of papers in this special issue on urban development related to the development management, public participation, relocation of economic activities, land development, land taxation, financing social housing and bank financing of housing. Also, the issue contains reviews of three publications in the theme of the special issue. We hope to publish a few more papers on some of the other aspects of urban development in a subsequent issue which could not be included in the present special issue for lack of space.

It is our hope that as in the case of our earlier special issues, the present collection of papers on urban development would be of interest and use to the practitioners and students of the subject.

—Editor



Programming and Management of Urban Development

M.N. BUCH

IN THE context of urban development the words 'programming' and 'management' are meaningless in India today. This view is harsh and extreme but, unfortunately, true.

India has no policy on urbanisation or human settlement. Our economic planning is wholly overawed by the size and numbers of the rural sector and, therefore, we have failed to develop a perspective in terms of how human beings will be employed and find a living, how and where they will live and in fact how they will cluster together in the future. The "double-think, double-talk" in our national economic planning denies the urban sector a place in India's economic scene while creating conditions of growth in the rural sector which must force more and more people into seeking avenues of non-agri—cultural, mainly urban based, employment. Modernisation of agriculture and the generation of product-surplus, even more than population pressure, create a need for a service and production sector whose characteristics are non-agricultural and urban.

In terms of figures, the Five Year Plan 1978-83 draft indicates an urban growth rate of 38 per cent per decade and a corresponding rural growth rate of about 22 per cent. The rate of growth of towns with a population exceeding half a million is 53.5 per cent; of towns having less than 50,000 population is only 13.26 per cent, and of towns of less than 10,000 it is only 1.42 per cent per decade. The urban-rural growth differential is so pronounced and so heavily biased in favour of large towns that over the next twenty years there will be a substantial change in the present rural-urban ratio of 20:80.

The stark fact of a fast increasing urban sector raises the very first question of urban management—what should be our urban perspective? For what are we to prepare programmes? What goals do we set ourselves to? If the present trend is to be accepted as irreversible, then a whole new set of relationships will emerge in which the metropolis will be the urban model and the agricultural countryside will play only the

role of a feeder of towns. Such a nexus has developed in the United States. In the Indian context we would need a radical reorganisation of rural society in which farming would become an organised industry, like plantations, and the peasant-proprietor would become extinct. The proposition, in a country of small farmers, is so utterly colonial as to be repugnant.

A more logical solution is the regional one, somewhat on the Dutch model. Balanced intra-regional growth, especially in areas of agricultural prosperity, with rationalised inter-regional linkages, appears to be a more apt development strategy for India. How should such a strategy be evolved? Do we have the agencies which are equipped to understand what a region is much less plan a programme for its development? Neither the Centre nor the States have cared to create such expertise on the requisite scale. At a macro-level, therefore, the planning machinery has to be so enlarged that it can take a simultaneous overview of the urban picture and the urban-rural nexus which seems to be spontaneously developing. But can a government, which has not even filled the post of Adviser (Urban Development and Housing) in the Planning Commission for years, be expected to give the necessary boost to the urban planning agencies?

Assuming that we can create both an environment for planning and the necessary institutions, we still have to identify the action areas. On an operational level there would probably be layers of such areas. The main metropolises would be autonomous planning and action areas—provided that we can avoid the failure in Delhi to bring the entire metropolitan region under one planning umbrella. A second set of planning regions would be the command areas of irrigation projects and catchment areas of large industrial complexes such as Bhilai, Korba and Kudremukh. A third set would be those with flourishing middle level towns, such as Indore, Ahmednagar and Rajkot, as the node and the rural hinterland having a definite relationship with the core town as the periphery. This third type of planning area would have an almost cellular structure, with peripheral bodies revolving around the nucleus.

Each of these three types of urban planning areas calls for a different management pattern.

A metropolis tends to be a dense mass, having a degree of homogeneity. This means that the major infrastructural systems have to be developed city-wide and cannot be dispersed. The management system, therefore, has also to be geared to taking citywide decisions. Our present city government pattern encourages a multiplicity of authorities—the municipality, the development authority, various functional bodies dealing with transport, water and sewerage, power, housing, etc., and government agencies such as the district administration, PWD, etc., to operate within city limits. There is overlapping of functions and a lack

of coordination. A detailed review of metropolitan management is called for with a view to bringing city government under one organisation. Neither the state government nor the development authority seem to have succeeded in playing a coordinating role and, therefore, coordination needs to be replaced by command. An apex city government organisation directly dealing with citywide functions and generally guiding and controlling local bodies dealing with purely local problems seems to be the logical direction in which we should move.

The second type of planning region covering areas of new industrial or agricultural growth has problems quite different from those of a metropolis. Such activities are usually located in virgin areas. There is massive investment and new towns are created in a very short time. There are economic and sociological forces unleashed which cause major disturbance to the traditional life style of the region. There are no local institutions which can be entrusted with the task of development. Here the planning and development agency has to take the form of a highly functional, technically skilled nominated authority of the type found in the Special Area Development Authorities of Madhya Pradesh. Such an authority has first to create the infrastructure to sustain the investment planned in the main activity, then to see how the local population can participate in development, then to project the ultimate urban picture that is likely to emerge over an area that may embrace several hundred square kilometres, and then to work for the creation of a desired urban settlement pattern. Incidentally, such an authority would also be required to create the management institutions and impart the managerial skills which would enable local bodies to take over and manage the assets created.

The third type of planning region, which aims at creating a rural-urban continuum, is the most exciting action area. Agricultural improvement creates many waves. One set relates to the marketing and processing of surplus produce. Groups of villages attach themselves to *Maneli* towns for sale of agricultural goods. Such towns can offer excellent facilities if, like Hapur, they are well placed on transport networks. Or they may play only a sub-marginal role if, like Sheopur in M.P., they are too small to be major consumers of goods and too poorly connected with larger markets to act as entrepot centres. In such a situation regional planning which permits easy movement of goods assumes greater importance than the development of such city infrastructures as roads, sewers and drains. Here what is important is hierarchical linkages.

A second set of waves is the growing demand for goods and services emanating from a growing rural economy. The commercial and service relationships of town and country tend to move from the uni-directional to the mutual as the village economy improves. Even if dis-

tributive justice still eludes the major part of the rural poor, massive inputs into agriculture, power and irrigation have moved whole agricultural regions into the consumer society. The *mandi* town inevitably becomes the service centre also for sale of goods, for servicing of equipment, for education, health care and even employment.

The third set of waves is the need to process agricultural produce. There is enormous scope for the development of agro-industries in India. The tragedy is that we are still a country where agricultural produce is largely consumed in a primary form and, therefore, there is wastage. There can be no better employer of the surplus agricultural labour in decentralised, dispersed, semi-urban locations than agro-industries which process agricultural produce and also service agriculture by manufacture of equipment and implements. This is an area of industrial development which has been largely left unexplored by the government.

By all indications, the climate for the development of small towns interlinked with the rural region, is excellent. And still, the small and medium towns are showing signs of decay at a rate where they are unable to retain even the normal accretion by birth. The third type of planning region, which attempts to establish a rural-urban nexus, needs priority attention.

In a regional environment, planning assumes an importance that may even surpass the actual development function. The number and types of authorities already working in the region necessarily have to be numerous. The state functions through the district administration and its various departments. There is vertical control of investment by government departments in accordance with the five year plan provisions. The development needs, techniques and methodology would tend to be both more varied and more localised than in a metropolitan region. The base has to be agricultural prosperity because the emergence of a hierarchical settlement pattern is dependent on a sizable agricultural surplus.

There has to be a high powered, effective planning authority. The goal is to create a hierarchy of settlements and activities. Thus what assumes priority is a system of economic, employment, service and transportation links which make the hinterland reach out to the core city and the city introverted to its hinterland. The planning authority must have the expertise to develop such a perspective and power to force various development agencies to make investment in desired channels. In such a region implementation would continue to be localised either at municipal or panchayat level, or functionalised through specialised agencies or departments. What would be centralised is planning, evaluation, monitoring and channelising of funds. Here the planning authority would go beyond physical planning and take a total development overview.

Whether such major institutional changes will be effected is a matter

of considerable doubt. Perhaps, in the long run, if urban chaos is to be avoided, rationalisation of the institutions will have to be done. But even within the existing framework there is considerable scope for improvement. As they operate today, municipalities, development authorities and functional agencies such as water and sewerage boards, housing boards, do not work within the framework of a plan. Most of them work only within an annual span, where activities are mainly circumscribed by past commitments and the anticipated income for the coming year. This approach may, perhaps, cover maintenance, but it does not lead to development. A major reform, therefore, would be to bring all such agencies within the discipline of the State Five Year Plan. Once a certain perspective is created there would be automatic differentiation between revenue budgeting and capital budgeting. It does not matter that existing resources leave very little surplus for development expenditure. Once there is the discipline of a plan, once priorities are identified, once funds are applied as per plan and investment is not diffused, it is amazing how far a very little goes.

Surprisingly even the Delhi Development Authority, which commands quite substantial resources, functions *ad hoc* and on a purely year to year basis. There is no long-term plan, for example, for housing or land development. Funds are shifted around to meet the priority of the moment and, therefore, at critical times there is insufficiency for on-going works. What is true of DDA is true of most similar agencies in India.

A planning discipline becomes crucial in the context of the proposed investment of about Rs. 2,000 million in small and medium towns in the next five years. We can use this amount, however meagre it be, on a national scale, to really generate a development process, or we can fritter it away by dispersal, misapplication and misuse. As we are organised at present a prediction of waste calls for no great knowledge of astrology!

At the micro-level of implementation we need to develop an ability to cope with shortages. These could be ways and means problems, but are more likely to be materials shortages. Our engineering management tends to be rigid and neither design nor technique adjust to material availability. Advance planning prior to starting work, which caters for widely fluctuating flow of materials, simply is not done. Management of development at the field level, therefore, means the training of personnel in flexibility of planning and, if need be, amendment of rules to permit such flexibility.

A major area of weakness is the gradual isolation of the elected local bodies from the process of planning for urban development and implementing the plans. The local bodies are perhaps not organised for the task, but they can be ignored only at peril. Ultimately the burden of managing urban assets falls on local bodies and they are generally reluctant to extend services to new area developed by other agencies. A

mechanism to involve local bodies in the development process has to be evolved. One suggestion already made is to convert metropolitan management into a truly metropolitan government. Outside the metropolitan towns we may consider the constitution of development committees in existing local bodies. They could have representatives from the municipality, as also nominated, expert, membership. Such a committee would function under the municipality, but would enjoy a degree of statutory autonomy in the operation of the capital budget and implementation of Plan schemes. There need be no separate development authority and, therefore, no tension and infigthing!

We can train students to be engineers and doctors, workers to be skilled artificers and craftsmen, country yokes to be sailors and airmen, and bureaucrats to be human! Surely we can train non-official members of development and municipal agencies to be managers of and partners in the process of urban development. If paucity of resources stifles development, the absence of trained personnel kills it.

Finally, a word about coordination. We mistake discussion and platitudes for a process which really calls for reconciliation of conflicting views and the handing down of unpalatable decisions. The coordinating authority, therefore, has to be clearly designated and armed with plenary powers. The real secret of all development is a sighting of goals and the catching hold of a problem by the scruff of its neck. Management means deciding, not hedging, waffling and dithering. □

*Community Participation in Urban Development: The Next Step**

WILLIAM J. COUSINS

THE IDEA of community participation has been with us for a long time but it keeps being rediscovered by each new generation. For some, it has become a kind of auspicious *sloka* to be intoned at the inauguration of any new project. For others, it is an ideological affirmation of their belief in the power of self-help. For still others, it is the answer to every social and developmental problem. As one who has gone through each of these phases as a true believer, I feel the time has come for a closer and more dispassionate analysis of the concept of community participation.

Almost a generation ago, intellectually, the American Sociologist, Irwin Sanders published his classical article on community development in which he characterised it as a programme, a process and a movement. Community participation, in itself, can hardly be called a programme or a movement; though it may be an aspect of both. However, it can be characterised as a process, a concept, a symbol, a means and as an end in itself.

In the early days of the rural community development in India, it was often described as "a Government Programme with people's participation". With experience, enthusiasm began to give way to more careful analysis, and there were those who spoke of "a people's programme with government participation". This was a radically different interpretation; probably deeply understood and believed by very few. One of the problems in this field is that when verbal currency begins to circulate widely, a kind of intellectual inflation sets in and the value of the original ideas declines. This has certainly been the case with the concept of community participation. Let us look at it more

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closely in its different meanings and incarnations.

There is no question in my mind that community participation implies a process or a programme which has been designed by an external agency, which for some reasons, often legitimate, would like the client population to be involved. This desire to involve the people may spring from many motivations. For some, it is an extra-rational value assumption, i.e., a programme is better if the people are involved in it. For others, it is a more pragmatic assumption: a programme is more likely to be understood and supported if the people are involved in it. For others, it is politically or socially symbolic: it can be considered as a 'people's programme' if people are involved in it. For still others, the motivation is material: project costs may be reduced if there is participation of the people.

Obviously, there can be many motivations for those who attempt to promote community participation. One significant consideration is the extent of the participation; that is, at which point in the process of programme development are the people expected and encouraged to participate. Here again, there is a wide variation. For the most part, people's participation is welcomed in the implementation stage. Again, the implication is that the programme is conceived or designed by external agents—often with the very best and altruistic motivations—who invite the people's participation at the stage of implementation.

The more purist among us advocate participation of the people in every stage of the developmental process. Thus, in classical community development theory, we talk about people defining their felt needs, arranging them in order of priority, selecting those on which it is possible to take immediate action, planning for that action and carrying it out. In this scenario the external agent, who may be called in India a *Gram Sevak* or a village worker and in some other places an *animateur*, acts as a stimulator and a catalyst to initiate this process. Some community workers take an extreme non-directive approach. They refuse to identify problems, create forums for discussion of felt needs or indicate possible paths of action. The member of the client population, for example, says "We need a better or closer water supply; the non-directive community worker replies "What you think you should do about that?" Or when one of the people says they require more information about a particular problem or government programme, such a worker asks "Where should we go to find out more about it?" The rationale behind this approach is not only that the people must be motivated in order to solve their own problem, but the very process of problem solution is an active educational process.

As one approaches the problem of improving traditional areas of cities, the question one should face frankly is: who feels that change is necessary? Is it the outside observer or the resident of the area? I do not

mean to imply that the outsider has no right to a view about what should be done in a deteriorated area of the city. I would like to suggest, however, that if it is a view which leads to a set of goals and one attempts to get people's participation to achieve those goals which they have not helped to define, then participation becomes manipulation. The democratic position is that people have a right to participate in decisions which affect themselves. If one accepts this view and encourages participation in decision making from the very beginning to the completion of the project, then one must be prepared for a decision from the people that this is not the project in which they would like to participate. It means also that the external agent must be prepared for the eventuality that people will define a need and seek the participation of the external agent for meeting that need even though it may not seem to be a priority to the external agent. In some cases it may even appear to be a diversion from their real basic need.

There is a classical story from the literature of Home Economics Extension Workers. It is the story of an American Home Economics agent who visited a very poor farm family. As she approached the farm house, she saw that the building itself was in very poor repair, that the roof needed work, the shutters needed painting, and so on. She also saw that the kitchen garden had many weeds and pests and the plants were scrawny. In addition, the farmer's wife was not growing the most nutritious foods. When the workers entered the kitchen, she saw that it was unhygienic and could be greatly improved by a few simple changes. Having observed all this, when she began to talk with the farmer's wife, she gradually led the subject to the question of what were the greatest felt needs of the woman. The farm wife was so pleased to have someone who was really interested in her that she confided some of her innermost thoughts. She told the Home Economics agent that for a long time one of her deepest desires had been to make a rock garden. The young agent was taken aback. A rock garden in the face of all the obvious needs and problems! But she quickly recovered and said that she did not know much about rock gardens, but would return to her University and get some books on the subject. She did so and on her next visit shared the books with the farmer's wife and discussed the first steps in making a rock garden.

Eventually, a rock garden was completed and the farmer's wife was delighted. As can be expected, the experience gave her great confidence in the agent and she was open to suggestions about improvements in the kitchen and the kitchen garden. Most external agents would not have been so flexible or sensitive to the feelings of the farmer's wife. But this is the kind of thing which must happen if we are to assist people to do what *they* want to do rather than to do what we think is best; however, not all rock gardens will lead so easily to better kitchen gardens.

In order to follow this approach one simple assumption is necessary, *i.e.*, that every person has a brain and can use it. I suspect that the failure, or the weakness, of many developmental programmes—ranging from those of agricultural extension to those of family planning—arises from our inability to accept deeply this simple and obvious assumption. Perhaps the first step in development work is this assumption.

Does this mean then that because we have a pre-existing agenda to improve the traditional areas of the cities, that we cannot begin our work. In my view, it does not. But what it does mean is that we must frankly, as one intelligent human being to another, approach the people with whom we would like to work with utmost honesty and say as clearly as possible exactly what we would like to see happen, why we would like to see it happen and why we feel it important for this happening to be a mutual happening. There is nothing wrong with trying to help people as long as people accept the help, accept the bonafides of the would-be helper and do not become excessively dependent upon him. There is much wrong with those who proceed upon the assumption that they have some special wisdom and that it is necessary to trick, bribe, deceive or to manipulate people into doing "what is best" for them. The open equalitarian process may take much longer, and in fact it may never lead to accomplishing the goals of an external agent; however, if those goals are accepted by local people it is unlikely they will be abandoned before they are reached.

I once visited a programme in Puerto Rico which operated on these assumptions and the Director of the programme made a most extraordinary statement to me. He said that no project had ever been undertaken by the people which had been abandoned. Many projects such as the construction of schools or the digging of wells had stopped for various periods of time for various reasons, but inevitably they were taken up again and brought to completion. This was because no project was ever undertaken until every single member of the community fully understood it and its implications.

The question to be faced is: whether community participation is a means to achieving a preordained goal by an external agent or whether it is a means of helping people accomplish what they would like to accomplish. If it is the latter, it means that one must start where the people are and go where they want to go and this may be the beginning of a continuous developmental process as well as a developmental partnership.

While it may not be immediately apparent, the foregoing discussion has direct and pragmatic relevance for the subject of this seminar; that is, the improvement of the traditional old cities like Shahjahanabad in Delhi. In those areas which are defined by the outside observer as 'slums' it is very possible that the improvement of their existing housing is not

the first priority of the local residents. This does not mean that they would not like to have better housing, but it does mean that there may be more urgent demands on their time and resources; such as for food, medical care, education for their children.

The question is whether we are ready to start where they are and go where they want to go. If so, hopefully, we can take the next step in community participation. This step calls for two radical changes on the part of both the urban poor and the intervening developmental agencies. These changes are perceptual and organisational. The perceptual change means a shift from viewing the urban poor as being marginal, sources of problems or at best, beneficiaries of services. They must be seen as indispensable actors in the development drama, problem solvers, clients and partners rather than beneficiaries. This means a corresponding change in our perceptions of ourselves. People in development agencies must see themselves no longer as "friends, philosophers and guides", but as professionals and partners.

What I am calling for here is simply that we face pragmatically the facts of contemporary urban life. One of these is that poor people perform services which are vital to the economic and social life of any city. If they stopped performing these services tomorrow, a city would come to a grinding halt. This has been demonstrated in terrible way whenever sweepers have gone on strike in Calcutta or garbage collectors have stopped doing their job in New York City.

Another of these facts is that *slums and shanty towns are not so much problems as solutions to the problems of shelter and work places for the urban poor*. Since official agencies have been unable to furnish adequate shelter for these millions who are fulfilling vital functions in the cities, the people themselves have solved the problem of furnishing their own shelter. We have described it in this way elsewhere¹:

The fact that slums and shanty towns grow twice as fast as cities indicates that people are indeed capable of building houses on their own. Without external assistance, in fact against external resistance, they go through almost all of the processes that a housing agency goes through; i.e., acquiring land (*albeit* often illegally), collecting materials, finding resources, organising skills, conceiving of designs and executing these designs. Whether or not we like the product — which is limited mainly by the quality, type and availability of materials and resources — slums and shanty towns are eloquent testimonies to poor people's motivation, resourcefulness, design ability and building skills . . . *slums and shanty towns are not so much a*

¹Kirtee Shah and William J. Cousins, "Housing and Development", a paper prepared for a seminar on Housing Poor and Development, sponsored by ASAG and EZE, Ahmedabad, February 23-27, 1980, p. 6.

problem as solutions to a problem—the problem of housing the millions of poor people in the cities. The same people who provide valuable goods and services to all urban residents.

If one looks at slums and shanty towns from this perspective, the housing scenario changes radically. So does our view of the role of self-help and community participation. *Instead of asking people to participate in the housing programmes, organised by formal housing agencies, the housing agencies themselves, will have to get organised to participate in the housing activities planned and executed by the people.* In short, the roles will have to be reversed if we are to help people improve their housing. And this will call for a radically new perspective, a redefinition of the helping relationship and a new set of skills.

This statement also implies the organisational change required, *i.e.*, to institutionalise community participation as an integral part of a total system for improving the physical environment and the basic social services of the urban poor. Too often in the past, it has been used merely symbolically, ideologically, as a way of stretching the budget, or at best, in an *ad hoc* manner. This paper suggests that if community participation is systematically incorporated as part of the process of overall improvement, which involves both the municipal administration and voluntary agencies, the process of improving the quality of life in traditional areas will be accelerated. Let me suggest the possible role of community participation in two different areas of development: environmental improvement and the provision of basic services.

Elsewhere, I have described the Hyderabad Habitat programme, where about six thousand poor families have taken responsibility for constructing their own houses.² In this situation, the helping agency—namely, the Urban Community Development Department—has provided stimulation, technical assistance and advocacy with banks and with the government. The people have done the rest from removing their huts, to digging foundations, to purchasing materials, hiring masons and overseeing the whole programme.

The Madras Metropolitan Development Authority has involved some poor communities in discussion of aspects of environmental improvements such as the location of street lights, taps and drains. In one area, where people protest about the location of these facilities and the way in which the work was executed, the MMDA seriously considered giving a contract to the community organisation to execute the work itself. This may be one of the next steps in community participation. Another one would be to help the community organise to maintain such physical

²William J. Cousins and Catherine Goyder, *Changing Slum Communities: Urban Community Development in Hyderabad*, Manohar Publishers, 1979.

improvements once they have been constructed. Municipal engineers all over the country bemoan the fact that they keep having to repeat the same kind of environmental improvement programme in the same places because the improvements are not maintained adequately.

Let us look at health as one of the basic social services required. Even in urban areas the coverage of the poor by the formal health system is woefully inadequate. One possible way of providing first line health care to all is being advocated by UNICEF and WHO. The model is that of "the barefoot doctor". Each neighbourhood is asked to select one person from among them who would be suitable to receive training in first line health care and who would agree to serve his or her neighbours on a part time basis in exchange for this training. The selected person is then given simple, on the spot training in such things, as first aid and the detection of infectious diseases and malnutrition; the treatment of the common illness of the poor, such as diarrhoea, coughs and colds, skin and scalp sores, and so on. The person is also taught to recognise symptoms of illnesses which are beyond their ability to handle. In this case the people are referred to the first level of the formal health system; perhaps a clinic or dispensary run by the municipal corporation. If the case cannot be handled at that level, it is referred upward to the municipal hospital. The point is, that local people become linked in a total referral system which provides them with first line health care and with a back up system. It is important when a patient comes to a municipal dispensary with a chit from his local health worker, that the municipal dispensary staff respect the referral as coming from a colleague.

This approach can be used to extend various social services, and it is what UNICEF calls the Basic Services Approach. It involves the following:

1. the management of first line delivery of basic services by the people themselves;
2. the recruitment and training of local people as primary level workers to do this; and
3. the development of a network of para-professional workers between the community workers and the professional, to release professionals from routine tasks for roles as trainers, supervisors and managers.

People are getting help with health already from their neighbours; whether they are traditional practitioners, so called 'quacks' traditional birth attendants or simply neighbours who seem to know more about health than they do themselves. In other cases, volunteers are running 'unrecognised' primary schools, nursery schools and tutoring classes. It

seems to me that there is no reason for any child to be illiterate in a neighbourhood as long as there are a few people who can read and write and who can be encouraged, with a bit of training and support to teach others.

The next step in community participation can take place when we frankly face that the problems of providing the urban poor with improved shelter, sewage, drainage, clean drinking water, basic health and educational services are so enormous and staggering that they cannot possibly be solved by our present conventional approaches. The logic of our own statistics tells us this, but somehow we turn away from the inevitable conclusion. This paper suggests that our only possibility is to redefine radically the relationship between the helping agencies and the people so that the people are full partners and the role of the helping agency is just that—to help people do the job which they are doing now, better. This means that community participation cannot start too early in the process, and that it must be an integral part of the process throughout—from planning to implementation.

A final note of caution: While I have argued in this paper that the improvement of the quality of life in traditional areas of cities can be accomplished most effectively with the full and equal participation of the people, this does not mean that changes in traditional structures and in traditional ways of life will not occur. The dynamic forces at work in the city are having not only physical and economic effects on traditional areas, but also social and psychological effects. If we take the people as full partners, we have to be prepared for the eventuality that they may not wish to preserve some of their old structures and old ways of life but may choose for what they see to be the modern way. Some experience shows, as in the Delhi Resettlements, that when poor people are given the opportunity and the resources to express their aspirations structurally, some of their houses look remarkable like middle class houses in miniature. Nevertheless, if there is genuine dialogue between the helping agencies and the people, and a genuine partnership in planning and executing the improvements, there seems to be more possibility of minimising the disruptive and traumatic effects of change and the effects of serendipity—the unanticipated consequences of planned social change. At any rate, those of us who consider ourselves professional planners and developers have demonstrated that we are unable to solve the enormous problems which face cities alone so *why not take some help from the people who are most directly concerned?* □

Relocation of Wholesale Commodity Markets in the Bombay Metropolitan Region

L.C. GUPTA

VARIOUS WHOLESALE markets in Bombay were developed during the early part of the current century in the southern extremity of the old island city of Bombay. This development of wholesale markets was a natural choice keeping in view the developments that took place such as port, industries, administrative functions and the concentration of urban population within the old island city itself. However the city's population which was around 0.7 million at the beginning of the present century jumped to 2.9 million by 1951. Since 1951, the increase in population growth has been much more rapid with the result that the present population is nearly 8.2 million. With the geographic limitation of space in the island city the natural growth of population has been towards the northern direction where space is available. Thus the city has grown from the old island part to a much bigger area in a linear fashion forming out a peninsula. Though the residential population of the old island city has shown only a marginal increase, the population of suburbs and the adjoining areas of Thane-Kalyan lying within the immediate influence zone of the city has been growing by leaps and bounds. The development of New Bombay in the Bombay Metropolitan Region with the ultimate population of 2 million is expected to deflect the population growth to the mainland on the east.

PROPOSAL FOR RELOCATION OF MARKETS

Despite the above development during the last 30 years the commercial centre including the wholesale markets continued to remain in the old island city in the most congested localities of south Bombay bringing out the following three important facts:

1. Lack of additional space required for expansion in trading activities and movement of vehicular traffic, generated by the markets.

2. The congestion that the markets create affecting adversely not only its operation but also the efficiency of the city as such raising the important issue of the cost of servicing an expanded metropolis from an extreme point in south Bombay to the farthest lying areas at a distance of 60-65 kms. through congested road arteries.
3. The regulation of vastly enlarged market activities so necessary for ensuring better marketing system and which alone can ensure a reasonable price to the producers and consumers.

The Bombay Metropolitan Region Development Authority, considering the needs of restructuring the region, has decided to relocate the wholesale agricultural produce markets as well as the iron and steel markets in the New Bombay area of the region. Selection and planning of the site for new market, however, require understanding of the functioning of the existing wholesale markets. CIDCO together with BMRDA and Bombay Agricultural Produce Market Committee, therefore, launched a massive survey to find out the present turnover, pattern of trade inflows and outflows, the directional flow pattern, the places of origin and destination of products, the mode of transport, employment, etc. These informations have already been compiled in respect of commodity markets now taken up for shifting to New Bombay.

PLANNING OF COMMODITY MARKETS

The Commodity Markets that have been surveyed are those dealing in onion and potato, grains, condiments and spices, sugar, jaggery edible oils, dry fruits, ghee all coming under non-perishable agricultural produce. The other commodity market surveyed is iron and steel. These two broad groups of product, viz., agricultural produce and iron and steel are proposed to be shifted to specified sites in New Bombay during the next 2-3 years. Some important planning considerations for these markets are discussed below.

Development of Agricultural Produce Markets

All non-perishable agricultural commodities like onion, potato, grain, pulses, oilseeds, condiments and spices, sugar, jaggery, coconut, oil and ghee, dryfruits together generate over 10,000 tonnes of daily inflow or 3 million tonnes in a full year. Out of this nearly 40 to 45 per cent of the traffic originates from various districts of Maharashtra and the balance is received from other States in the country. Nearly 27 per cent of the above produce is moved by rail. A total of 900 trucks daily bring agricultural produce to the city's wholesale markets and almost an equal number of vehicle are used for distribution of produce to various

consumption points. Out of the daily arrival of 10,000 tonnes, nearly 90 per cent is again redistributed to various destinations within the Bombay Metropolitan Region as well as outside this region. The inflow and out flow characteristics of markets have been compiled in Annexure 1. From this it will be seen that for most of the commodities the percentage consumption within Greater Bombay does not exceed 55 per cent while the balance goes out within the region or even outside the region. The Annexure also shows that unlike onion and potato, other commodity markets like grains and related products have a regional character serving a larger hinterland. The rapid increase in population in suburbs and in the Thane-Kalyan belt and the proposed development of New Bombay provides an adequate justification for shifting of these wholesale trading functions from the southern extremity of the old island city to a more convenient and spacious location on the major inter-city route. In such a location land could be provided at reasonable cost considering high volume low cost which most agricultural produce is. Vashi-Turbhe area has been selected in New Bombay considering all the above factors.

ECONOMIC EVALUATION OF THE PROPOSED SITE

An important evaluation criterion in respect of efficiency of the market yard would be the transport cost of inward produce and the cost of serving the various wholesale, and retail markets. An analysis was, therefore, made to evaluate the alternative transport cost to and from Turbhe area and Duncan Road which was the centre for onion and potato trade till recently. In case of produce inflow depending on origin, *i.e.*, Nasik or Pune direction, the total saving in distance is between 17-28 kms. at Turbhe compared to Duncan Road. Regarding the trade inflow the study considered the 4 representative retail points, *viz.*, Dadar in South Bombay, Andheri in Western Suburbs, Ghatkopar in Eastern Suburbs and Thane in Thane-Kalyan belt. The study revealed a saving in distance and travel time from Turbhe to all retail points *vis-a-vis* Duncan Road except in the case of others. However, considering the pace of urbanisation in suburbs the overall benefit would be more if the market was relocated at Turbhe. Annexure 2 clearly brings out this fact.

THE FIRST PHASE DEVELOPMENT

CIDCO has recently constructed, on behalf of the Agricultural Produce Market Committee, Bombay, a wholesale market for onion and potato on a 25 acre plot at Turbhe in New Bombay. The market has been designed keeping in view the projected traffic growth during the next 20 years. The market activity in onion and potato is regulated

under the Maharashtra Agricultural Produce Marketing (Regulation) Act 1963 by the Agricultural Produce Market Committee, Bombay. The old wholesale market has now been denotified and the new wholesale market has started functioning from March 1981. About 2000 persons are now working in the market handling about 1400 tonnes of produce and 300 trucks per day. The entire produce is directly despatched from Turbhe to various destinations in the Bombay Metropolitan Region and to that extent has reduced the flow of vehicular traffic to and from the island city. The success of this venture has produced a salutary impact on other agricultural produce markets in the city and plans have been prepared for the development of a market in the adjoining area for shifting of other commodities as well.

In April 1981, CIDCO carried out a demand survey for undertaking development of the second phase of the commodity market from traders dealing in grains, pulses and oilseeds, condiments and spices, sugar and jaggery, etc. Nearly all the wholesalers have now agreed for shifting of their establishments to the new city. It is proposed to construct 2000 shops-cum-godowns for various commodities as the project is expected to be financed by commercial banks with refinance facilities from the Agricultural Refinance Development Corporation (ARDC). CIDCO will provide a goods railway siding yard within the market complex. A truck terminal with parking facilities for more than 400 trucks at a time is also being developed. This terminal would provide other facilities like offices of goods transport companies, repair workshops, spare parts shops, restaurants, petrol pumps, weigh bridges, etc. The market will directly employ 15,000 workers for different activities and will be visited by 40,000 people mostly retailers and grocers. It is proposed to provide housing for most of the staff and traders near the complex itself so as to avoid commutation by them to the markets. At present transport is provided by inter-city bus service by the Bombay Metropolitan Transport Corporation (BMT) which is a subsidiary company of CIDCO. Active consultation has also started with the Central Railway for extending the Kurla-Mankhurd Section of the Bombay Suburban System to Vashi and beyond to provide fast transport for the visitors to the market.

ADVANTAGES OF RELOCATION

Shifting of the principal wholesale markets under the overall supervision and control of the Agricultural Produce Market Committee, Bombay, will have the following main advantages:

1. Nearly 3 million tonnes of produce including over a million tonnes of rail-borne traffic and 1800 truck traffic per day will

be diverted from the old city providing the much needed relief to that part of the old city (Masjid Bunder area) which is facing the worst kind of congestion. At the same time the markets which at present are cramped into only 18 hectares of land area will be developed on 128 hectares of land providing scope for future expansion.

2. Newcomers can also enter the trade if they have the necessary enterprise and initial capital. The availability of funds on hire-purchase terms at a reasonable rate of interest will help individuals, cooperative societies and public bodies to enter the business of wholesaling who cannot enter the trade at the existing locations because of lack of space and its prohibitive cost. This is already demonstrated in the new onion-potato market at Turbhe where newcomers including small traders and the State Cooperative Marketing Federation have joined the business of wholesale trade.
3. The entire wholesale activities can be organised in one place and free and fair auction system can be ensured in the interest of both consumers and producers. This is not possible at the existing markets. All the necessary market facilities can be provided by the Market Committee including provision of housing for staff and workers.
4. A new set-up of semi-wholesale markets can be planned at separate points in the existing urban areas to enable retail distribution in the given area.

Development of Iron and Steel and Stockyard Complex

The wholesale market in iron and steel is located at Carnac Bunder and Darukhana area of South Bombay. The bulk stockyards, are however, located mostly in suburbs on the Central Railway line. The present market occupies about 14 hectares of land and the stockyards 26.5 hectares of land. Out of the 26.5 hectares of land under stockyards 1.5 hectares is located in old island city, about 2 hectares in western suburbs and 23 hectares in eastern suburbs. The total inflow of iron and steel into Greater Bombay is 1.6 million tonnes in a full year of which 1.2 million is handled by the bulk stockyards of SAIL and TISCO and the balance 0.4 million tonnes by the trade.

Annexure 3 indicates the total inflow of iron and steel and its movement by rail and road.

Out of 11.6 lakh tonnes handled by stockyards, 5.92 lakh tonnes is purchased by wholesalers in South Bombay indicating enormous movement of products from suburbs to the old island city. The stockyards and the trade generate a total truck traffic of about 1,100 trucks per day. The total quantity of iron and steel materials available for sale by

merchants is 10.19 lakhs. Out of this, 5.70 lakh tonnes (56 per cent) is sold in Greater Bombay and 44 per cent outside Greater Bombay. Taking the combined sales of both the wholesalers and stockyards, the percentage sale within Greater Bombay is 51 per cent. This percentage is likely to go down further in future years due to increased restrictions on further civil construction and due to rapid growth in other parts of the Bombay Metropolitan Region including New Bombay. The development of Nhava Sheva Port will encourage development of industries in that part of New Bombay.

Keeping in view the above factors and the close linkage between the stockyards and the markets, CIDCO has planned location of the iron and steel wholesale market and the stockyards for the same at Kalamboli near Panvel along the National Highway No. 4. The area is also served by Diva-Panvel Section of the Central Railway on the east and National Highway No. 4 on the west. The entire complex covers 275 hectares of land and CIDCO has taken up the task of providing an arterial rail siding with Exchange Yard facility. This will enable large stockists to bring complete rake loads within their plots and also provide facilities for handling of smalls at a conveniently located goods shed. CIDCO has been able to book demand for plots to 1,500 merchants and two large size plots measuring 16 and 5.5 hectares have been earmarked for SAIL and TISCO respectively. The total reported employment by trade is 20,000 and that of stockyards is about 500. The development is expected to be completed by the middle of 1982 and is also expected that the markets will start functioning by early 1983 after the merchants construct their own godowns. A plot measuring 8.8 hectares has been earmarked for a truck terminal which will provide all the facilities required by the trucks visiting the area. To provide housing to persons working in the markets CIDCO has also taken up development of a township on a 200 hectare piece of land facing the market complex.

CONCLUSION

It has been found that the wholesale markets are closely interwoven with warehousing and transport company godowns which are developed near these markets. Keeping this in view, CIDCO had carried out a detailed demand survey of the concerned users of the markets and truck terminals. The total demand received so far and the provisions made in the layout plan are indicated in Annexure 4. From the above it will be seen that the proposed development of agricultural produce markets at Turbhe and iron and steel markets at Kalamboli are two major efforts undertaken by CIDCO to implant economic activities in New Bombay and at the same time achieving the much desired objective of decongestion,

The concentrated development in a more spacious and well-planned location in the near proximity to the existing city and in a central location in the Bombay Metropolitan Region will improve considerably the operational efficiency of each market, provide external economies and release the expansionary forces for future growth. The move to shift the wholesale markets to New Bombay will also divert in a big way jobs (about 40,000 in direct employment) and traffic (nearly 4.6 million in a year including 2.37 million tonnes of rail-borne traffic) from the old city to the mainland. About 3000 trucks which are entering and leaving the island city daily will also be diverted to New Bombay giving relief to the city from acute congestion caused by vehicular traffic in the southern part of the island city.

Annexures 5, 6, and 7 respectively give the layout of New Bombay *vis-a-vis* the old Bombay, the layout plan of Vashi Node and the Agricultural Produce Market and the Steel Market Complex.



Annexure 1

THE INFLOW AND OUTFLOW PATTERN OF AGRICULTURAL
PRODUCE MARKETS IN BOMBAY CITY

| | <i>Area occu- pied (Ha.)</i> | <i>Total daily arri- val</i> | <i>Annual arrival</i> | <i>Move- ment by rail</i> | <i>Total num- ber of trucks daily</i> | <i>Number of hand- carts trips daily</i> | <i>Average waiting time of vehicles (minutes)</i> |
|---|--|--|---------------------------|---------------------------------------|---|--|---|
| <i>A. Produce Inflow</i> | | | | | | | |
| Onion & Potato | 1.00 | 1300 | 3.90 | 1.40 | 215 | 524 | 172 |
| Grains, sugar, jaggery, con- diments, spices, etc. | 17.65 | 8900 | 26.70 | 7.00 | 1780 | 2000 | 75 |
| TOTAL | 18.65 | 10200 | 30.60 | 8.40 | 1995 | 2524 | — |
| <div> <div>Percentage of consumption of produce in</div> <div> <div>Gr. Outside Outside</div> <div>Bombay Bombay BMR</div> <div>but within BMR</div> </div> </div> <div> <div>Percentage of Movement of produce</div> <div> <div>By By By By</div> <div>truck hand- head- rail</div> <div>cart load</div> </div> </div> | | | | | | | |
| <i>B. Produce Outflow</i> | | | | | | | |
| Onion & Potato | 73 | 10 | 17 | 55 | 43 | 2 | — |
| Grains, sugar, jaggery, spices, condiments, etc. | 55 | 15 | 30 | 81 | 9 | — | 10 |

Annexure 2

ESTIMATES OF TOTAL COST OF TRANSPORT AND TRUCK HOURS TO EFFECT A GIVEN DAILY MOVEMENT IN 1976 AND 1981 (FOR ONE WAY TRIP ESTIMATES)

| 1976 From To | Island city | | Western suburbs | | Eastern Suburbs | | Thane | | Total | |
|--------------------|-------------------------|-------------------------------|-------------------------|------------------------------------|-------------------------|-------------------------------|-------------------------|------------------------------------|-------------------------|------------------------------------|
| | Total truck hours | Cost of transport (Rs.) | Total truck hours | Cost of trans- port (Rs.) | Total truck hours | Cost of transport (Rs.) | Total truck hours | Cost of trans- port (Rs.) | Total truck hours | Cost of trans- port (Rs.) |
| Duncan Road | 30 | 375 | 24 | 341 | 25 | 338 | 16 | 248 | 95 | 1302 |
| Vashi | 29 | 403 | 20 | 323 | 13 | 215 | 5 | 95 | 67 | 1036 |
| 1981 | | | | | | | | | | |
| Duncan Road | 32 | 400 | 40 | 569 | 42 | 563 | 22 | 330 | 136 | 1862 |
| Vashi | 30* | 430 | 33 | 539 | 21 | 358 | 7 | 126 | 91 | 1453 |

*It is assumed that the inter-city trucks (having 10 tonne capacity) coming to Turbhe Wholesale Market will be used for carrying onion and potato to the island city. For other movements 6 tonne capacity trucks will be utilised.

Note 1. Total inflows in 1976 and 1981 are assumed at 900 and 1200 tonnes respectively and percentage consumption are as under:

| | 1976 (Per cent) | 1981 (Per cent) |
|--------------|--------------------|--------------------|
| Island City | 50 | 40 |
| Suburbs | 40 | 50 |
| Thane-Kalyan | 10 | 10 |

2. The above table is based on actual one way distance, travel time and cost (as in 1977 prices) as worked out from Duncan Road and Turbhe to four representative retain points.

Annexure 3

TOTAL INFLOW OF IRON AND STEEL AND ITS MOVEMENT
BY RAIL AND ROAD

| | <i>Total Inflow</i> <i>(lac tonnes)</i> | <i>Movement</i> | |
|------------|--|-----------------|----------------|
| | | <i>By Rail</i> | <i>By Road</i> |
| Stockyards | 11.60 | 11.60 | — |
| | 4.27 | 3.77 | 0.50 |
| TOTAL | 15.87 | 15.37 | 0.50 |

Annexure 4

**DEMAND REGISTERED FOR SHOP-CUM-GODOWNS AND
OPEN DEVELOPED PLOTS VIS-A-VIS PROVISIONS
MADE IN THE LAYOUT PLANS**

1. Agricultural Produce Markets at Turbhe

| | <i>Total demand for constructed shops</i> | <i>Total number of shops constructed</i> | <i>Demand for extra storage plots</i> | <i>Extra storage plots provided in the plan</i> | <i>Demand for plots from edible oil merchants</i> | <i>Actual number of plots provided in the plan for edible oils</i> | <i>Area earmarked for truck terminal (Ha.)</i> |
|--|---|--|---------------------------------------|---|---|--|--|
| I. Phase (onion and potato market) | 140 | 238* | — | 5980 (sq. mts.) | — | — | } 8.5 |
| II. phase (grain, sugar jaggery, condiments, spices, etc.) | 1720 | 2220† | 300 | 310 | 54 | 62 | |

2. Iron and Steel Market at Kalamboli

| <i>Plot Size (sq. mts.)</i> | <i>Total demand for plots</i> | <i>As provided in the plan</i> | <i>Remarks</i> | <i>Area earmarked for truck terminal (Ha.)</i> |
|-----------------------------|-------------------------------|--------------------------------|--|--|
| 125 | 318 | 318 | Total area provided for 1529 plots is almost 85 Ha. The plan provides additional 40 Ha. more for future expansion. | } 8.8 |
| 250 | 618 | 618 | | |
| 450 | 373 | 373 | | |
| 900 | 220 | 220 | | |
| TOTAL | 1,529 | 1,529 | | |

*One module size of 650 sq. ft. of built up area.

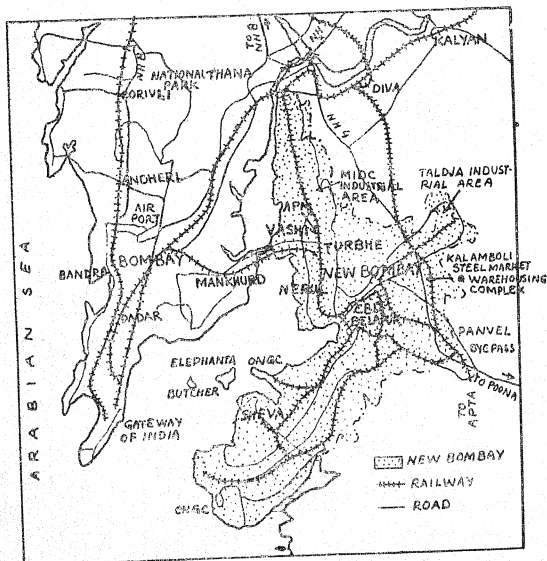
†Two module sizes are proposed for construction:

(i) 1227 sq. ft. of built up area.

(ii) 1420 sq. ft. of built up area.

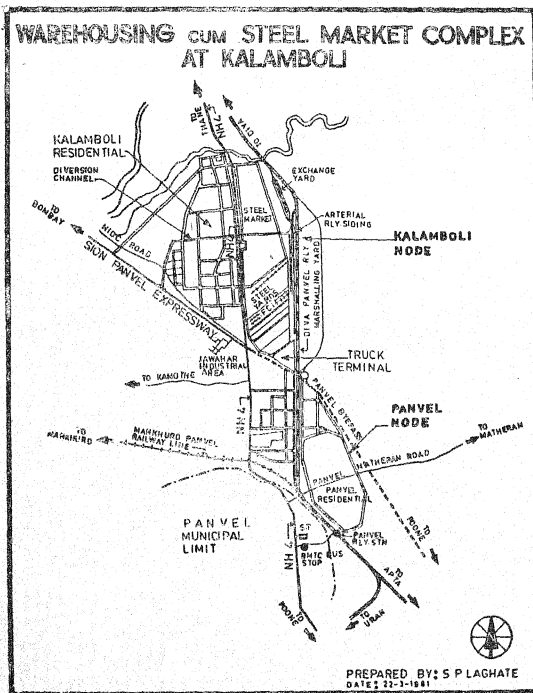
Annexure 5

LAYOUT OF NEW BOMBAY VIS-A-VIS THE OLD BOMBAY



Annexure 7

AGRICULTURAL PRODUCE MARKET AND THE STEEL
MARKET COMPLEX



*Land as a Resource for Developing a New City: Rhetoric, Operationalisation and Lessons from New Bombay**

H.S. VERMA

RECENT SPECTACULAR growth in urban population without a proportionate increase in the number of new cities has resulted in, among other things, a general decline in the quality of urban life in India. Planning of new cities, lock, stock and barrel, has consequently come to assume dimensions higher than ever before. In terms of their character, these have either been capital, (*i.e.*, Chandigarh, Bhubaneswar, Gandhinagar) or industrial project cities, (*i.e.*, Bhilai, Rourkela, Bokaro) where the entire financial resources for planning and building them have come, directly or indirectly, from the State/Central Governments. The project costs of all such cities have been fairly large. An inevitable consequence of allocation of such order of financial resources has been denial of the same to some other competitive projects crossed out in deciding the priorities of allocation. At a time when the competing claims on the scarce public financial resources have increased, urban planners have mooted the idea of using land as a major financial resource for meeting the costs of planning and building new cities from a scratch. Whereas land has indeed been used as a resource by the private estate developers and even urban planning institutions such as

*This is a preliminary report of my larger study "*Land as a Resource for Planned Urban Development: A Case Study of New Bombay Experiment*", currently in its final phase. As additional data come in, some of the conclusions reached here might possibly change.

For frank and quite often lively discussions, I am grateful to a large number of present and former CIDCO professionals and key officials of agencies which figure in the report. With the lone exception of Mr. J.B. D'Souza, I am leaving all others unspecified for reasons more than one.

The ICSSR, New Delhi funded the study and the Giri Institute of Development Studies, Lucknow where I am based, provided institutional support. Clearly these institutional and individual inputs have facilitated this piece. And yet, I am alone responsible for its contents.

the Delhi Development Authority (DDA) in the existing major Indian cities where the development costs are low, gestation period between land acquisition, development and realisation of market price relatively short,¹ the same has been experimented for the first time in case of a totally new city of two million population size in New Bombay by the City and Industrial Development Corporation of Maharashtra Ltd. (CIDCO), Bombay. Organised in eight sections, this piece analyses CIDCO's experience of planning, developing and administering New Bombay during a 10 year period of 1970-80. It is based on the data obtained through investigative techniques. The first section discusses the context and rationale of New Bombay's choice in preference to other options; the second recalls considerations leading to the use of land as a resource in New Bombay; the third presents initial structure of the area designated as New Bombay and its planned concept; the fourth reviews land acquisition and rehabilitation of the project affected population; the fifth recounts the sequencing of nodal and areal development strategy employed in New Bombay; the sixth juxtaposes the rhetoric and working financial results of operationalisation of land as a resource; the seventh tentatively identifies factors responsible for non-realisation of self-sustained growth; and the final section deduces lessons which New Bombay offers in the city planning.

THE CHOICE OF NEW BOMBAY

How the decision of developing New Bombay in preference to: (i) the Bombay Development Plan and Wilbur Smith Proposals, and (ii) the development of several satellite towns in the Bombay Metropolitan Region was itself made is a matter of considerable controversy and debate. I would first present the formalised official version as indicated by the documents of the CIDCO and State Government and thereafter piece together the informal events and processes.

The New Bombay Draft Development Plan gives a chronology of evolution of New Bombay.² The chain of events started in March 1958 with the setting up of a Study Group on Greater Bombay under the chairmanship of S.G. Barve followed by July 1958 decision of the Bombay Municipal Corporation to prepare a Development Plan for the city. In February 1959 the Barve Group recommended a rail-cum-road bridge across the Thane Creek. In July 1964 the Development Plan for Greater Bombay favouring a further extended northward development

¹These have essentially been exercises in part development of a city and never touched the gamut of issues involved in developing a complete whole and identity of total city.

²*New Bombay: Draft Development Plan*, Bombay, CIDCO Ltd., 1973, pp.2-6.

of the city³ at an estimated cost of Rs. 700 crores (1964 prices) was prepared and submitted to the Government of Maharashtra. The proposals thereunder did not consider areas outside the jurisdiction of the Bombay Municipal Corporation. The State government did not accept them and, realising the need to examine the metropolitan problems in the regional context, appointed a Committee in March 1965 under the chairmanship of D.R. Gadgil to formulate broad principles of regional planning for the Bombay and Poona metropolitan regions. The Gadgil Committee recommended regional planning legislation enabling creation of regional planning boards. In January 1967 the Maharashtra Regional and Town Planning Act, 1966 was passed and in July 1967 the Bombay Metropolitan Regional Planning Board (BMRPB) was constituted under the said Act. The BMRPB published its draft plan for the Bombay Metropolitan Region (BMR) in January 1970 and, among other things, recommended setting up of a 'metro-centre' (later called New Bombay) on the mainland as a counter-magnet to the burgeoning growth taking place in the southern most tip of Greater Bombay. The Maharashtra Government accepted this proposal and notified privately owned land in New Bombay for acquisition in February 1970 and established CIDCO Ltd., in March 1970 to act as a new town development authority (NTDA) for the New Bombay project.

The official version, thus, makes one believe that the idea of New Bombay was contained in a very vague form in the Barve report and it was clearly delineated, and formalised by the BMRPB. This is, however, only part of the story. My discussions with a fairly larger number of actors involved in this decisional process reveal that an important informal group, representing urban planners, business, trade, and manufacturing interests having close links with important politicians and civil servants, organised, through discussions, seminars, conferences, media build-up, and high pressure lobbying, a very determined campaign in favour of the twin-city proposal. Apart from the newspaper reports, some documentary evidence of this effort is also available.⁴ Among these, an article written jointly by Charles Correa, Pravina Mehta, and Shirish Patel⁵ (called MARG piece hereafter) deserves a closer scrutiny for several reasons:

1. At a single place it establishes the fact that the idea of New

³Originally, the city was confined to the island. Its later day division into: (i) city, (ii) suburbs, and (iii) extended suburbs has been the result of northward extensions made in 1950, 1957, and 1965.

⁴See, for example, *Bombay*, Bombay, MARG Publications, 1967; *Twin City for Bombay: Development Prospects and Problems*, Report of a Seminar, Bombay, Maharashtra Economic Development Council, 1970; and *Bombay's Development and Master Plan: A 20 Year Perspective*, Bombay, Bombay Civic Trust, 1970.

⁵Charles M. Correa, Pravina M. Mehta and Shirish B. Patel, "Planning for Bombay", in *Bombay*, Bombay, MARG Publications, 1967, pp. 28-56.

Bombay on the mainland across the harbour and opposite Greater Bombay was developed as an alternative to the Master Plan prepared by the Bombay Municipal Corporation. The main thrust of the Master Plan, a handiwork mainly of the engineers, was on the extended northward development of Greater Bombay. In the debate which ensued on the relative merits of the Master Plan and the counter-magnet on the mainland, the other important issue of developing several satellite towns near Greater Bombay, referred to earlier by Barve Group and BMRPB, was really not given its due consideration.

2. It provides fascinating evidence of groundless reasoning justifying the case of New Bombay. Subsequent events have exposed the hollowness of these arguments.
3. It gives a step by step conceptual delineation of the vision of New Bombay in which the process part, indicating how one step initiated by the agency developing the counter-magnet would lead to a particular consequence, was kept systematically vague and entirely built on pious expectations. No convincing reasons were offered.
4. The document could be treated as some kind of a benchmark frame, from which it was possible to identify the alterations made in the basic vision and structure of New Bombay idea later on. In retrospect, it was then possible to gauge their significance in terms of consequences and motives.
5. The document was written by a trio which came to occupy crucial decision-making positions in CIDCO Ltd., and the formulation of the New Bombay Plan and its modifications.

The New Bombay thesis, built in this document, starts with the argument that the future urban growth should necessarily create entirely new structural pattern (p. 30); that existing towns and industries, the nuclei of new towns and industries would act as magnets to attract the population (p.31); and that to stop the flow of migrants to existing cities, counter-magnets are needed (p.31). Discussion of the alternatives was perfunctory mentioning only two: (a) to accept the existing centre of activity; or (b) create *alternative centres of activity* to serve as counter-magnet to draw the pressure away (p.33). The first was ruled out: the second was preferred for detailed analysis. Creation of a number of small satellite towns as a technique of redistribution of Greater Bombay's pressures was not favoured on the ground that: (a) smaller ones would not serve that purpose.⁶ (b) they had to be sufficiently near, and

⁶That it was not so has been accepted by the Bombay Metropolitan Regional Development Authority (BMRDA), and it is actually working on a number of such plans in the entire Bombay Metropolitan Region (BMR).

(c) cost of several towns (of 10 lakh population) would be exorbitant (p. 36).

The case of New Bombay on the mainland, directly opposite Bombay and of equal prestige and importance, was propped up on the hope that it would develop into as large as the older city; its very large size would provide the equilibrium necessary between old and new development (p.86). It was also argued that if growth still continued, the new city could be further ringed later by new satellite towns located close enough to the centre so that its presence stimulated their growth (p. 36). This was beautifully worked out argument. New Bombay was the solution for Bombay and satellite towns were not. When New Bombay became as big as Greater Bombay and faced similar problems, satellite towns would look after its problems!

Among other things, New Bombay was expected to stimulate growth in the entire region and act as a focal point for the development of satellite towns. How this would be so was not indicated. The idea was draft since in the first place Greater Bombay had not done so and in fact the piece itself argued of a conscious policy to ring them in case New Bombay faced Greater Bombay's problems. This main argument in favour of New Bombay was that it would exploit the magnetic pull of Greater Bombay because it was visually connected with Greater Bombay. No difference appeared to have been made between 'visual' and 'physical' connections. And this meant a lot in terms of circulatory problems involved.

After building a none too convincing case for New Bombay on solid grounds, the piece came to rely on existential justification for New Bombay. It argued that most of the decisions have already been taken by forces operating on this city. Significantly enough, it did not mention the role played by state promotional agencies such as the State Industrial and Investment Corporation Ltd. (SICOM) and Maharashtra Industrial Development Corporation Ltd. (MIDC) in very consciously increasing centralisation first in industrial estates in northern Bombay, then in and around Thane, still later in the entire Thane-Belapur belt. Whereas the State Government and all its agencies worked in a closely coordinated and concerted manner in siting and locating industrial units near Greater Bombay since the early fifties once there was not much scope left in the metropolis itself,⁷ the document stated that they were all working in an unrelated manner (p. 41).

The discussion of the financial outlays involved in the implementa-

⁷For a fairly useful discussion on this theme, see, for instance, Nigel Harris, *Economic Development, Cities and Planning: The Case of Bombay*, Bombay, Oxford University Press, 1978, and H.D. Kopardekar, "Metropolitan Growth and Social Change in India", in *Selected Papers in Urban and Regional Planning*, Bombay, Bombay Regional Chapter, Institute of Town Planners, 1977, pp.25-37.

tion of Municipal Master Plan and the New Bombay idea was slanted and partisan. First, while the details of the former, then available, were given under itemised heads, the same were not worked out for the latter. Second, it was argued that the development costs for either location would be practically identical (p. 48). This was something unbelievable since it is almost axiomatic that development costs at newer locations for same sized tasks are always significantly higher. Apart from the heavy investment of about Rs. 600 crores to be made by various State and Central agencies, CIDCO alone is estimated to spend about Rs. 1200 crores on nodal and city structure development in New Bombay. Third, only some of the additional costs involved in the latter case were indicated: there were some glaring omissions concealing the cost disadvantages of New Bombay's peculiar terrain, topography and climate. The Panvel creek bridge, constructed by CIDCO, alone has costed roughly Rs. 2 crores. One has to wait to learn the staggering estimate of the damming of the Panvel creek. The trio can't possibly plead ignorance since the piece itself gave fairly useful information about the New Bombay site and maps which later came to be formalised by the State Government and the CIDCO. Fourth, it appears that even the selective additional costs given were gross under-estimates.⁸ Fifth, the cost of land acquisition under the Municipal Plan, put varyingly at 20 per cent to a quarter, was considered to be very high. It was expected to be 'much less' across the creek. Quite obviously, the propertied class in Greater Bombay was left to be untouched and not to be inconvenienced whereas the poor peasants and fishermen in New Bombay were cheaply dispensable. These calculations were, however, given a decisive blow by the organised resistance to the PWP in New Bombay later. Compensation already paid by CIDCO for 6398.07 ha. of land acquired is Rs. 6.39 crores and the total private land in the project area that remains to be acquired would alone cost about Rs. 63 crores.

Having made a case for New Bombay on technical, and financial grounds, the document then systematically turns its critical attention on the Municipal Master Plan, the Wilbur Smith Report and other proposals which emanated from other sources. It felt that: (i) the Municipal Master Plan would certainly do nothing toward future growth of Greater Bombay; (ii) the series of proposals would merely stretch the existing north-south pattern even further (p. 49); (iii) the plan tended to escalate land values in the southern part of Greater Bombay even higher; (iv) population growth of Greater Bombay would continue; (v) it relied on density control which was difficult to achieve; and (vi) the proposal of

⁸Prices have increased but not in the proportions as emerging from the comparison of MARG piece and present day costs. To give but one example, the Kurla-Karjat rail link then put at Rs. 28 crores is now estimated to cost Rs. 75.74 crores only up to Belapur.

second business centre at Mahim (known later as the Bandra-Kurla scheme) was not feasible because not much area was really available, and at best it could be only a secondary centre not really relieving the pressure from the one in the southern tip, and it would aggravate pressure on the north-south traffic flows (p. 49). What the piece seemed to ignore was whether future growth of Greater Bombay was really a desirable planning goal, or whether a planning agency, while planning to ease existing problems of a metropolis, should, at the same time also plan for further growth? Would its further growth not create additional problems? The Municipal Plan proposals might have stretched the north-south pattern. However, the essential issue at stake was not of pattern maintenance or structural change. The issue at stake was relieving of the felt pressures on the life and limb of Greater Bombay which the proposals were surely attempting to solve. The escalation in land values of the southern part of Bombay island was being caused by the acute centralisation of central functions there and not necessarily by the growth of the city. There was hardly any guarantee that population of Greater Bombay would cease to grow even if New Bombay was started. As it happened, Greater Bombay's population continued to leap frog in spite of New Bombay.

The document was harsh on the Wilbur Smith and metro rail proposals and, apart from bus and tube-railway, argued the case of mono-rail and fast ferry boats (p. 53). It appeared that it was more concerned with the transport requirements of the stage where new and old Bombay were fully developed and was not very concerned about the current and interim traffic congestion. According to their own vision, the development of New Bombay was going to take considerable time. In the meanwhile, were the planners to leave Greater Bombay's circulatory problems an amused go by? There was hardly any choice but to implement them as is being done slowly now. And if substantial investment was being made in reshaping vehicular traffic pattern of Greater Bombay, its extension northward was a cheaper alternative than development of New Bombay across the harbour.

Reading between the lines, the piece leaves one unmistakable impression: its authors were very keen that Greater Bombay's present economic structure was not brought under any telling pressure to spatially realign itself in the short run. By the time New Bombay had grown, it might be economically advantageous to shift. In this mechanism, the initial cost of New Bombay's development would be borne by the initial population and the propertied class would move in for the kill when the going was good and on its own terms.

CONSIDERATIONS LEADING TO USE OF LAND AS A RESOURCE
IN NEW BOMBAY

Four major considerations eventually led the CIDCO to use land as a resource in developing New Bombay:

1. One of the causes of routine non-execution of all ambitious town/city development/master plans in India has been their staggering financial size. The municipal agencies could never marshal such order of resources from their own efforts and the State and Central Governments did not sanction funds for them.⁹ The governments had another reason in refusing the funds: this would have led to an avalanche of demands from a large number of similar cases. The Development Plan of the Bombay Municipal Corporation was not accepted by the Maharashtra Government because it was not in a position to earmark Rs. 700 crores in one go. Therefore, it was hardly expected to sanction even a larger sized New Bombay project as and when it was prepared and submitted for its approval.
2. CIDCO's inner core group consisting of J.B. D'Souza (Managing Director until 1974), Charles Correa (Chief Consulting Architect), Shirish Patel (first Technical Adviser, then Director of Public works) had previous career experiences which made them feel confident of making New Bombay a commercial proposition. Before taking over as the Managing Director of CIDCO Ltd., D'Souza had been, among other things, the General Manager of the BEST, Commissioner, Municipal Corporation of Greater Bombay, and Industries Commissioner, and, apart from being very articulate and conversant with the urban problems and their management, had a streak of the rare entrepreneurial qualities of abstracting, visualising, innovating and improvising in his working style. In the late fifties, when it was becoming increasingly difficult to find space for locating additional industrial units in Greater Bombay and the Government of Maharashtra was not willing to allot large funds to develop industrial estates near Greater Bombay, it was he who built the Wagle Industrial Estate in Thane at a cost of Rs. 5 lakhs. Initially, there were no buyers and some plots, disposed in the early phase, were sold at very cheap rates. However, as the time passed there was great demand for the plots and

⁹Individual projects of some cities (*i.e.*, Calcutta, Madras, Bombay) have been sanctioned, however. The State and Central Governments have also stood guarantees for major loans sanctioned by international agencies such as the World Bank to some municipal bodies (*i.e.*, Bombay; World Bank loans for the water pipeline, BEST, etc.),

these fetched quite attractive prices.¹⁰ Overall, the estate generated additional funds for the MIDC demonstrating in the process the self-sustaining capacity of such ventures. Charles Correa, the celebrated architect had, among his many consultancy assignments, assisted the Delhi Development Authority in designing, developing and marketing many a commercial complex in Delhi which eventually helped in the evolution of a very good financial reserve with the DDA. The DDA experiment had evoked a high critical acclaim from the CIDCO's Planning Team. Similarly, Shirish Patel, an engineering consultant and planner, had helped many an estate developer in Greater Bombay to turn an ugly patch of uneconomic land into a vestibule of goldmine. While shaping of policy inside CIDCO was in the hands of these people, its Planning Team, constituted to act as the think tank and consisting of well known names in their respective fields, tended to reinforce their viewpoint on this issue.

3. A large industrial complex had grown in the Thane-Belapur area, forming part of New Bombay and sooner or later the port of Nhava-Sheva was going to be sanctioned by the Planning Commission. Some important central agencies were moving in the area. Whereas considerable amount of infrastructural facilities had already been built in the area, the major land users in future, according to one viewpoint, were expected to develop their chunks of lands and thus, share the development cost of the city. Major industrial groups, (*i.e.*, the Tata, Walchand, Mafatlal having a larger stake in the area also exerted considerable pressure on the then Maharashtra Chief Minister, Mr. V.P. Naik giving indications that their employees were expected to buy a large number of housing units in New Bombay.
4. Comparative cost estimates of Bombay Master Plan and New Bombay were, as seen earlier, presented to the Maharashtra Government in such a fashion as to give an impression that New Bombay had tremendous advantages. The kingpin of this line of reasoning was the expected *cheap* availability of land in New Bombay. The Government was persuaded to believe that all that was needed was a reasonable sized loan to the new town development authority, (*i.e.*, CIDCO Ltd.) which would be eventually returned back once the NTDA, using land as a resource, developed its own revolving fund. Without spending a very large sum of scarce state resources, the Metropolitan Bombay would stand to benefit tremendously because of development of both the cities.

¹⁰Based on in-depth discussion with J.B. D'Souza held on April 21, 1981 at the Administrative Staff College of India, Hyderabad.

NEW BOMBAY: THE BENCH MARK AND PLANNED CONCEPT

The formal recommendation of the BMRPB to develop a twin city across the harbour was accepted by the Government of Maharashtra. The CIDCO was incorporated as a limited company controlled by the State Government in March 1970. It was designated as the New Town Development Authority (NTDA) for New Bombay project in March 1971, and charged with the task of: (a) planning, (b) implementation, (c) administration, and (d) the maintenance of New Bombay and any other areas which may be entrusted to it by the government.

The total notified area of New Bombay is 344.80 Km.² This consists of 95 villages from Thane and Kulaba districts. Twentynine of these villages lie in Thane Taluka in Thane District and 28 each in Panvel and Urban Talukas of Kulaba district. A total of 24,878 families were living in the project area at the time of notification. About 98.76 km.² (28.6 per cent) of the project area although lying within its boundaries was not to be acquired as this consisted of: (a) municipal land (55.96 Km.² or 16.2 per cent); (b) MIDC, MSEB and Defence Department land 42.21 km.² or 12.2 per cent), and (c) miscellaneous land like Gaothan (0.59 Km.² or 0.2 per cent). Total land stated to be acquired for the project amounted to 29,424 ha. This consisted of three distinct categories: (a) government land: 10,137 ha. (34.5 per cent), (b) salt pan land of the lessees and licensees: 2,720 ha. (9.2 per cent), and (c) private agricultural land: 16,567 ha. (56.3 per cent).

Another feature of existing physical structure of New Bombay was quite sizable area of non-usable land. It was 4,321.06 ha. or 14.7 per cent of the total land to be acquired. This consisted of: (a) green zone (47.62 ha.); (b) Khajan or low lying land (2,005 ha.); (c) forest (1,508.45 ha.); and (d) scattered pieces (759.99 ha.).

Both natural features and administrative boundaries determine the boundaries of New Bombay. The Thane creek is on the western side; Parsik hills govern the eastern boundary in the northern portion; in the middle section the eastern boundary is co-terminus with the administrative boundaries of some of the villages between Taloja and Panvel along the foot of Adai hills. On the southern side the boundary coincides with the southern limit of village Kalundre and then runs in a south-westerly direction upto village Change along the Karanja creek, leaving the Karnala hills range outside the project area. The confluence of Thane, Karanja and Dharamtar creeks makes the south-western segment. Most of the area along the western boundary is low lying land and covered by high tide. Quite a few salt pans are located here.

Some of the peaks of the Parsik hill rise to a height of 235 meters and above and have steep slopes on the sides in between the height of 20 and 200 meters. The middle portion of New Bombay is an area

dotted with a number of small hills and some parts of the hills even rise to the height of 100 meters and above, the highest peak being 133 meters. Mora and Dronagiri hills are two other steeply rising hills in the south-west segment.

The islands of Nhava-Sheva, where the new port is to come up, are separated from the other portion of the project area by low lying land. A creek deep enough for berthing large ships, separates the two islands. Most of the areas in the southern part of Thane-Belapur belt along the creek side and the area to the east of Sheva and Uran up to the farm land on the south-east and also to the east of Karanja along the Karanja creek are being used as salt pans.

The Panvel creek, on which a major bridge has already been built and opened for traffic, is in the heart region. It surrounds the Waghivali island which is mostly covered at high tide; a number of small inlets enter further inside towards Taloja on the north, Kamotha on the east, Panvel on the south-east and Dapoli on the south. Kamotha is surrounded by such small creeks on three sides. Large portions of Kharghar, Kolhekhar, Navade Khar, and Pendhar villages are covered by low areas along the creek. Kalundari and Gadhi rivers join the Panvel creek on the southern side of Panvel town. The entire New Bombay area is Deccan lava country and abounds in rock outcrops throughout.

The foregoing features of New Bombay's terrain in combination with the gaseous emission discharged locally by the chemical industries located in the Thane-Belapur Road and the Taloja estates of the MIDC on the one hand, and airborne pollutants brought from the Sion-Trombay-Chembur areas of Greater Bombay by a particular wind pattern on the other, were causing air and water pollution at the time of notification. Consequently, creation of liveable environment in New Bombay was likely to be a costly, cumbersome and, at times, quite painful endeavour¹¹ and put a brake on efforts to establish large sized manufacturing units. Per unit cost of development of land was surely going to increase making the task of marketing it a formidable proposition.

The Barve Group had anticipated a spillover of industries from Greater Bombay once the Thane creek bridge, suggested by it, was ready. Actually the spillover of the industries had, however, come about in New Bombay much earlier than the bridge: only geographically it had started from Thane and then proceeded toward south on the Thane-Belapur road and Taloja estates. The MARG piece had assigned it, as seen earlier, a much larger real and imaginary role. When the Government of Maharashtra formally baptised New Bombay, it set the follow-

¹¹CIDCO planners were certainly aware of this as their New Bombay Draft Plan (Sections 3.01-3.18) indicated.

ing objectives for the CIDCO and the project:

1. to reduce the growth of population in Greater Bombay by creating an attractive urban area on the mainland across the harbour which will; (a) absorb immigrants who could otherwise come to Bombay; and (b) attract some of Bombay's present population.
2. to support state-wide location policies which will lead eventually to an efficient and rational distribution of industries over the state and to a balanced development of urban centres in the hinterland.
3. to provide physical and social services which raise living standards and reduce disparities in the amenities available to the different sections of the population.
4. to provide an environment which permits the citizens in New Bombay to live fuller and richer lives free, insofar as this is possible, of the physical and social tensions which are associated with urban living.
5. to provide training and all possible facilities to the existing local population in the project area to enable them to adapt to the new urban setting and to participate fully and actively in the economic and social life of the new city.

This was quite a tall order for an agency which was only designated as the NTDA; it had no independent powers of its own and very limited resources at its command. As the project approached concretised formulation stage, CIDCO and the State Government began experiencing problems. In an attempt to chart out a wider industrial policy for the entire State of Maharashtra, CIDCO commissioned and completed a major study. The State Government, however, did not commit itself to follow the suggested policy just as it had exercised its discretion not to put the three conditions set by the MARG piece: (i) creation of state capital; (ii) movement of government offices; and (iii) establishment of a single coordinating agency whose directions would have to be followed by all organisations working in the area for the success of New Bombay. Different CIDCO and state government documents began the painful exercise of dilution of these objectives with varying listings. The fifth objective was altogether deleted ever since the CIDCO reached a political settlement with the leaders of project affected people in 1979 enhancing the quantum of compensation for the land acquired (to Rs. 15,000 per ha.) and dispensing with the rehabilitation measures.

The Multi Sector Report,¹² revised in March 1981, however,

¹²*Multi Sector Urban Development Projects for New Bombay*, Bombay, CIDCO Ltd., 1981, pp.1-2.

drastically—perhaps more realistically—recasted and redefined the objectives of New Bombay and the CIDCO. The objective of New Bombay now was to contribute to: (i) de-congestion of south Bombay; (ii) reduction in the cost of supporting infrastructure which otherwise would entail far more expenditure if the present trend continued unabated; (iii) siphoning off industrial growth to the mainland especially in those branches which have proven to be advantageous in New Bombay (including port based industries, service industries and industries based on the associated gas of Bombay High); (iv) provision of infrastructure leading to betterment of living standards and quality of life in New Bombay; and (v) dispensing with long distance commutation—and thereby costly investments in transport infrastructure—by better planning concept. The CIDCO's role, similarly, underwent a sea-change. Its catalyst role was now limited to *developing the base* for attracting private investment opportunities as well as *indicating the need* for complementary public investments by other agencies. From the lofty 'support of state-wide industrial location policy' it now came down to 'promote and regulate the growth of industrial and commercial activities in New Bombay keeping in view the environmental, transport and communication requirements and the overall advantageous position' of the new city.

The MARG piece had specified six stages in the development of New Bombay. These were: stage 1: building of the Thane creek bridge for stimulating early development; stage 2: building of early development area just near the bridge (Vashi); stage 3: industrial development along the road connecting it to Thane with the early development area providing an encouragement to this process; stage 4: building of the business centre and damming of the Panvel creek; stage 5: construction of docks near the business centre further pepping up its growth; and stage 6: construction of new bridges, development of Wadala and Trombay areas to facilitate greater interaction between old and new Bombay (pp. 42-43). Development along these lines was expected to change the movement pattern in the enlarged twin city where the sea would become part of journeying life of its citizens and the east-west traffic corridor would gain prominence¹³ (p. 44).

The development strategy outlined by the approved New Bombay plan is substantially following the MARG piece lay out. The New Bombay city structure plan is a series of nodal settlements along a mass rapid transit (MRT) line. The spread of a node is decided by the

¹³This is one of the many myths built. A closer look at the map yields the conclusion that it is not exactly the case in New Bombay when the two cities developed. New Bombay too would have a predominantly north-south traffic pattern. Naturally, with the face to face existence of Greater and New Bombay the traffic between the two would be assuming predominantly east-west pattern. This could have been different if New Bombay was not sited the way it was.

walking distance considered reasonable from MRT stop and the total estimated population by such considerations like scale economies determining the threshold size. On this basis, each node is expected to eventually have about one lakh population. New Bombay is expected to contain 20 such nodes in its ultimate development stage. The central business district (CBD) located in the heart around Belapur will be multi-nucleated.

Each residential node is again organised as a series of sectors of approximately 5,000 population, generally self-contained in terms of social facilities and a reasonable distance from the bus stop. The pedestrian environment is achieved by linking various social elements like schools, hospitals, primary health centres, shopping, parks, and playgrounds to a cluster of houses by pedestrian spines segregated from roads serving the vehicular traffic. The New Bombay plan provides for MRT systems which have been planned through the centroids of various residential and employment nodes. The bus system would initially act as the public transportation system to be replaced eventually by a railway system.

To cater to the travel demand, initially for giving quick access to the proposed metro-centre and thereby induce growth in the area and later for ensuring the benefits arising out of economy of agglomeration of activities in the region two rail links between the two cities are planned. One would connect Mankhurd to Panvel across the Thane creek via the new CBD at Belapur; the other would link Kalwa with Turbhe.

LAND ACQUISITION AND REHABILITATION: MAGNITUDE AND RESPONSE

The New Bombay Development Plan had a twenty year (1971-1991) perspective within which the CIDCO as NTDA had to develop 20 nodes where two million population had to live and a close interactional relationship between New and Greater Bombay had to emerge. Some of its areas, as indicated earlier, were already functioning as work nodes; certain others were primarily earmarked, under the proposed land use plan, for the bulk land using institutions which were to undertake specialized development activity relatively independent of the CIDCO's schedule of activities. The CIDCO task, however, involved exercise of certain options in acquiring, developing, and disposing land throughout the length and breadth of the project area in such a fashion as to achieve the specific nodal and city structure goals and priorities. Given unlimited resources, it would have been open to acquire the entire project notified land at the earliest possible opportunity since this would have been convenient, cheaper and ideal for subsequent planning, use and disposal. The CIDCO, however, had very limited resources to begin

with; in addition it was committed to develop a self-sustaining capacity financially using land as a resource.

A third complication was that land acquisition was a very slow, zig-zag and expensive process. Project affected people are not necessarily very keen to be dispossessed of their land. In this case the area was a stronghold of the Peasants and Workers Party (PWP) with a very militant leadership. The PWP not only opposed land acquisition; it was totally against the very concept and visualisation of the New Bombay project. This opposition was fanned from outside by two important set of forces. One such force consisted of powerful leaders of the ruling Congress party from Thane and Kulaba districts some of whom occupied crucial governmental and party positions. This force had large areas of *Benami* lands in the New Bombay area and had a vested interest in delaying acquisition of land since delay almost always meant payment of compensation at enhanced rates.¹⁴ The second set consisted of planners, academicians, journalists, political leaders and public men based in Greater Bombay. It considered development of New Bombay a wrong methodological solution to the problems primarily created by acute centralisation of manufacturing, trade and commercial activities in the BMR. The project affected people of New Bombay expressed their opposition in varied forms ranging from simple arguments to court cases and even physical assault of CIDCO officials and dumping of construction equipment and materials into the Panvel creek. In the initial period (1970-1972), the CIDCO had to deploy a large police contingent in the more volatile areas, (*i.e.*, Belapur) to prevent the situation from getting out of hand. Inevitably, this opposition caused enormous delay in the acquisition process.

A fourth factor was the interlocutory nature of the twin processes of land acquisition and rehabilitation of the project affected people. The CIDCO was committed to spend five per cent of project budget on an elaborately worked out package of rehabilitation programmes. Acquisition of larger chunks of private agricultural land and salt pans not only involved payment of compensation¹⁵; it also involved expenses in rehabilitating the affected people. One theoretical option was to concentrate on government lands. However, in reality this could not be practised due to two major considerations: (i) single categories of lands were not sited in large enough chunks to be sufficient to develop a node; and (ii) it was necessary to acquire land at different places in the project area to facilit-

¹⁴One motive force active in the interest of both opposition and ruling parties was a spate of elections held. Between 1970-1980, elections to the assembly, Parliament, Zilla Parishad, and Gram Panchayat have been held in the area apart from some mid-term ones.

¹⁵Actually, even the acquisition of government land was also not free. Only the per unit cost was lower and the process itself was somewhat easier and tension free.

tate movement of other agencies into the area and to start work on projects of vital nature to the city structure as against nodal requirements. Because of the foregoing, the CIDCO was forced to adopt an *ad hoc* approach to the land acquisition issue in an effort to ensure better pursuit of project goals for a considerable period. This policy ambivalence reflected itself in the turbulent negotiation strategies worked out and employed by different Managing Directors.¹⁶ It is only in the beginning of 1980—a full ten years after the launching of the project—that the policy has become definitive in terms of acquisition, quantum needed for use during the next 10 years, and the residual to be denotified. By a combination of old accumulated and new set of circumstances, the 'take off' stage seems to have materialised where unfavourable forces appear to be now reversing their positions. The project affected people have, for instance, been forced to accept the quantum of compensation and the inevitability of the project; the reluctant trade and commercial interests, (*i.e.*, agricultural produce, iron and steel, etc.) are willing to purchase plots, shops, housing in New Bombay; Nhava-Sheva port idea has been approved in principle; and land outside the nodes is being bought by major land users to yield large enough funds for the CIDCO to undertake an accelerated programme of New Bombay's development.¹⁷

Data contained in Tables 1 to 6 give some indication of the magni-

TABLE 1 NOTIFIED LANDS AND THEIR ACQUISITION IN NEW BOMBAY AS ON 31 AUGUST 1980

| Particulars | Area (in Ha.) | | | |
|------------------------------|---------------|---------------|--------------|---------------|
| | Thane | Panvel | Uran | Total |
| (1) | (2) | (3) | (4) | (5) |
| <i>Land Notified</i> | | | | |
| 1. Government land | 4,599 | 3,853 | 1,685 | 10,137 |
| 2. Private agricultural land | 2,214 | 9,666 | 4,688 | 16,567 |
| 3. Salt pan land | 878 | 14 | 1,828 | 2,720 |
| TOTAL | 7,691 | 13,532 | 8,201 | 29,424 |

(Continued)

¹⁶These could be grouped as follows; (1) D'Souza: carrot and stick strategy of firmness with a comprehensive rehabilitation package; (2) Nayak: political strategy of winning over the hard core at select places through intensive personal contacts and intermediary interventions; (3) Salvi: encashing ritual affinity with enhanced rate of compensation; (4) Dhawle: higher rates of compensation at the expense of the entire range of rehabilitation programmes; (5) Gupta: linking up land acquisition with land use and denotification of land not needed during the next 10 years.

¹⁷The telling effects of Greater Bombay's 8.2 million present population on quality of urban life have also begun to sink on crucial decisions makers.

(Continued)

| (1) | (2) | (3) | (4) | (5) |
|------------------------------|----------|----------|--------|----------|
| <i>Land Acquired</i> | | | | |
| 1. Government land | 3,057.68 | 857.97 | 85.39 | 4,001.04 |
| 2. Private agricultural land | | | | |
| 2.1 By urgency clause | 0.18 | 30.85 | 183.04 | 214.07 |
| 2.2 By declaration of awards | 658.33 | 850.50 | — | 1,508.82 |
| 2.3 By voluntary surrender | 55.60 | 607.45 | 11.08 | 674.14 |
| Sub-Total (2) | 714.10 | 1,483.81 | 194.12 | 2,397.03 |
| TOTAL | 3,771.78 | 2,346.78 | 279.51 | 6,398.07 |

SOURCE: CIDCO Ltd., Bombay and New Bombay.

TABLE 2 LAND UTILIZED BY CIDCO AS ON 31 AUGUST 1980

| Particulars | Area (in Ha.) | | | |
|--|---------------|--------|--------|----------|
| | Thane | Panvel | Urban | Total |
| <i>Land Utilized so far</i> | | | | |
| 1. Private land | 344.05 | 344.01 | 170.08 | 848.09 |
| 2. Government land | 480.02 | 22.65 | 12.28 | 514.95 |
| TOTAL | 824.07 | 356.66 | 182.31 | 1,363.04 |
| <i>Land likely to be utilised in near future</i> | | | | |
| 1. Private land | 240.99 | 292.03 | — | 533.02 |
| 2. Government land | 180.53 | 0.20 | 0.22 | 180.95 |
| TOTAL | 421.52 | 292.23 | 0.22 | 713.97 |
| <i>Area Proposed to be Used Within Next Ten Years (inclusive of land already acquired)</i> | | | | |
| 1. Area (Ha.) | 227 | 4,037 | 4,149 | 10,460 |
| 2. Number of villages | 25 | 22 | 20 | 67 |
| <i>Area Proposed for Denotification Being not Required Within Next Ten Years</i> | | | | |
| 1. Area (Ha.) | 815 | 5,645 | 4,149 | 10,609 |
| 2. Number of villages | 21 | 34 | 23 | 78 |

SOURCE: CIDCO Ltd., Bombay and New Bombay.

TABLE 3 LAND ACQUISITION AND USE RATIOS

| <i>Particulars</i> | <i>Percentage</i> |
|--|-------------------|
| 1. Total agricultural land as percentage of total project land | 56.3 |
| 2. Total land acquired as percentage of total project land | 21.7 |
| 3. Total government land acquired as percentage of total government land | 39.5 |
| 4. Total private land acquired as percentage of total private land | 14.5 |
| 5. Private land utilized as percentage of private land acquired | 35.4 |
| 6. Government land utilized as percentage of government land acquired | 12.9 |
| 7. Total land utilized as percentage of total land acquired | 21.3 |
| 8. Area proposed for development in next ten years | 35.5 |
| 9. Land proposed to be denotified as percentage of total project land | 36.1 |

TABLE 4 REHABILITATION TASK AS ON 31 AUGUST 1980

| <i>Particulars</i> | <i>Thane</i> | <i>Panvel</i> | <i>Uran</i> | <i>Total</i> |
|--|--------------|---------------|-------------|--------------|
| 1. Families affected | 8,037 | 9,817 | 7024 | 24,878 |
| 2. Families from whom land actually acquired | 1,843 | 1,457 | 857 | 4,157 |
| 3. Families (out of 2 above) allowed to cultivate | 809 | 857 | 13 | 1,679 |
| 4. Families whose land submerged | 3 | 302 | — | 305 |
| 5. Families dispossessed actually | | | | |
| (a) Partly | 750 | 180 | 752 | 1,692 |
| (b) Wholly | 281 | 108 | 92 | 481 |
| 6. Rehabilitation not required for families dispossessed | | | | |
| (a) Already in service | 178 | 39 | 241 | 458 |
| (b) Engaged in business | 251 | 42 | 38 | 331 |
| (c) Residing outside project area | 174 | 19 | 77 | 270 |
| (d) Old age | 22 | — | 3 | 25 |
| 7. Remaining families to whom benefits need to be given | 406 | 198 | 485 | 1,089 |
| 8. Families (from 7 above) to whom benefits given | | | | |
| (a) Placement | 297 | 106 | 308 | 711 |
| (b) Training | 33 | 27 | 44 | 104 |
| (c) Other benefits | 13 | 1 | 10 | 24 |
| 9. Families to whom benefits need to be given | 63 | 64 | 123 | 250 |

SOURCE: CIDCO Ltd., Bombay and New Bombay.

TABLE 5 PROGRESS OF REHABILITATION SCHEMES AS ON
31 AUGUST 1980

| <i>Particulars</i> | <i>Thane</i> | <i>Panvel</i> | <i>Uran</i> | <i>Total</i> |
|---|--------------|---------------|-------------|--------------|
| 1. Boys trained | | | | |
| (a) CIDCO TTCs | 613 | 669 | 821 | 2,203 |
| (b) Through other agencies | 59 | 511 | 194 | 764 |
| 2. Placement | | | | |
| (a) Ist category jobs | | | | 711 |
| (b) II, III and IV category jobs | | | | 2,814 |
| Total | | | | 3,527 |
| 3. Placement areas | | | | |
| (a) Within New Bombay | 1,109 | 867 | 773 | 2,749 |
| (b) Outside project area | 95 | 318 | 365 | 778 |
| Total | 1,204 | 1,185 | 1,138 | 3,527 |
| 4. Shop loans scheme | | | | |
| (a) Persons | 6 | 39 | 42 | 87 |
| (b) Amount (Rs.) | 11,400 | 56,300 | 56,850 | 1,24,600 |
| 5. Social amenities (road, water supply, community centre, latrines, cattle ground, washing plate, bus stand, T.V. set) (Rs. lakhs spent) | 8.56 | 1.78 | 2.90 | 13.24 |
| 6. Primary education (grants-in-aid: Rs. lakhs) | 2.57 | 3.90 | 2.80 | 9.27 |
| 7. Secondary education (expenditure in Rs. lakhs) | 0.97 | 0.52 | 1.70 | 3.19 |
| 8. College education (expenditure in Rs. lakhs) | 0.94 | 15.29 | 5.44 | 21.67 |
| 9. Health and nutrition scheme (in Rs. lakhs) | — | — | — | 1.02 |

SOURCE: CIDCO Ltd., Bombay and New Bombay.

TABLE 6 EXPENSES ON LAND COMPENSATION AND
REHABILITATION (AS ON 31 AUGUST 1980)

| | |
|---|--|
| 1. Total amount paid as compensation | : Rs. 6.39 crores |
| 2. Rate sanctioned | |
| (a) Non-agricultural rates | : from Rs. 1 to 12 per M ² in Thane and Panvel |
| (b) Agricultural rates | : from Rs. 1,000 to 7,500 per acre in Panvel and Uran |
| (c) Ex-gratia | : to make up the total amount at the rate of Rs. 15,000 per acre |
| 3. Rehabilitation expenses incurred (Rs. Lakhs) | |
| (a) Salaries of staff in rehabilitation section | 23.85 |
| (b) Salaries of training staff | 25.28 |
| (c) Rehabilitation schemes | 114.07 |
| TOTAL | 163.20 |

SOURCE: CIDCO Ltd., Bombay and New Bombay.

tude of the task involved in land acquisition and rehabilitation and the extent of progress made by the CIDCO. On their face value some of the figures such as the percentage of project land acquired (about 22), percentage of acquired land used (about 21) and percentage of project land expected to be denotified (about 36) tend to give a very misleading picture of the tasks accomplished. However, these should be juxtaposed with matching figures such as percentage of private land in the project area (about 56: to reveal the fierceness of opposition and obstacles put in land acquisition), amount of compensation paid (Rs. 6.39 crores), rate of per acre compensation (pegged at Rs. 15,000 per acre since 1979), comprehensive range of rehabilitation programmes undertaken (training, placement, loans, health and educational programmes, etc.) and amount spent on rehabilitation (Rs. 1.63 crores) to correct this distortion. To this should also be added the consideration that projects of this nature have a long gestation period where in the initial period quite large parts of capital become locked forcing a slow down of the tempo of project activities.

SEQUENCING NODAL AND AREAL DEVELOPMENT

Attracting such migrants as would have otherwise gone to Greater Bombay and diversion of selected activities from there to decongest it involved creation of such an identity for New Bombay which would operate both the push and pull factors. The CIDCO was not in a position to decisively influence the forces controlling these two. In addition, all the 20 planned nodes and areas outside them could not be developed in one sweep due to the lack of financial and institutional capacity. Consequently, the CIDCO had to evolve a strategy of sequential development of residential and work nodes and areas outside them facilitating differential flows, in and out, to different directions within BMR and beyond. Impeded as it was, evolution of the strategy became an outright gamble, one totally dependent upon the nature and extent of support it received from the Central and State Governments, their key agencies, the manufacturing, trade and commercial interests, and the existing and potential population. This strategy assumed that support would be forthcoming. As would be evident a trifle later, many of these expectations went hay-wire affecting the fortunes of the project in a significant fashion.

The strategy initially evolved consisted of development of a residential node at Vashi, an agricultural produce market (APM) node nearby at Turbhe, a CBD at Belapur, an extended residential node near Panvel, the development of the Nhava-Sheva port, and development of vital physical infrastructure necessary for the minimal operation of the city

structure. Siting of each node had a specific logic in the CIDCO's view. For example, Vashi, located just across the Thane creek bridge connecting the old and new cities, was expected to be a residential complex where the existing workers in the organised sector industries at Thane-Belapur road would live. The APM was meant to accommodate the diverted vegetable and fruit markets then bursting at their seams in south Bombay. New Panvel was to cater housing needs of the persons working in the units of Panvel-Taloja industrial estate. The CBD at Belapur was to divert the burgeoning growth of the tertiary sector in the Backbay Reclamation at Nariman Point. The Nhava-Sheva port was expected to relieve pressure on the overworked Bombay harbour. This was minimum package. And yet, its magnitude was staggering. The CIDCO had to phase it and, in some cases, farm out segments of concerned agencies. It is essential to note the progress made on each of these projects during the last 10 years.

Vashi node covers an area of 586 ha. Its first phase consists of eight sectors. Todate about 112 ha. have been reclaimed on which 3078 houses have been constructed and occupied. Another 2487 houses are nearing completion. A number of developed plots have been sold to the individuals and cooperative societies. The present population of Vashi is about 36,000. The node has two major schools, and a 80 bed hospital. Additional supportive social infrastructure, and civic amenities are also available. A district business centre is likely to come up during the second phase of its development which the CIDCO is hoping to complete by 1982. The CIDCO has not only developed the area using the Dutch method of reclamation¹⁸ and constructed housing here; it also initially built the two media school and 80 bed hospital and administered them before marketing them to well-established voluntary agencies to recover their costs. The node has been an exasperating and exhilarating experience to the CIDCO at different points of time. The exasperation involved in developing almost every single item in this node -- from land to social infrastructure and civic amenities--and administer them. When it came to recover its costs by marketing housing in March 1973, the CIDCO found to its horror that the targeted group¹⁹ was not in a posi-

¹⁸The area is below mean sea level and in the absence of protective dyke could get submerged at high tides. One requirement is to have high pressure pumps to flush out all liquids into the Thane creek.

¹⁹This target group consisted of 6 categories: A=employees of existing industrial units in Trans Thane industrial estate of the MIDC who had applied in 1972; B=similar employees who had not applied; C=employees working in the APM organised by Maharashtra Agricultural Development and Fertilizer Promotion Corporation Ltd. (MAFCO); D=employees of units about to be located in the MIDC area or APM; E=employees of the CIDCO; F=employees of the MAFCO.

tion to buy the offered 842 housing units.²⁰ The industrial units in the Thane-Belapur area backed out of their promise to buy these and the LIC's Own-Your-Apartment Scheme, expected to provide loans to the buyers, did not materialise. In spite of frantic efforts, considerable number of housing units remained unsold. Ultimately, the CIDCO's second Managing Director, in an effort to improve organisation's liquidity and bail it out of its self-inflicted economic morass, sold them to institutions like Bhabha Atomic Research Centre (BARC). Subsequent exercises in marketing housing and other land uses have fared relatively better. Now the node is at a point in its development that marketing does not appear to be a problem.

The APM at Turbhe was a node intended to be closely linked with the CIDCO's efforts to relocate the New Bombay agricultural produce markets presently in south Bombay. It is a huge 115 ha. area to be developed in several stages. Part of its area was given by the CIDCO to its sister institution, the MAFCO in 1972 to construct its cold storage and warehousing facilities. The CIDCO itself has constructed the remaining part, totalling about 15 ha. at a cost of Rs. 3 crores. Cold storage capacity of 12,000 tonnes has been created; shops, godowns, a truck terminal, housing, and servicing space have been built; a railway siding linking Kalwa on the Central Railway to Turbhe is on the anvil. The CIDCO's relocation plan has, however, met with stiff resistance from the wholesale traders in agricultural commodities. After its informal efforts to persuade them had drawn a blank, it persuaded the government of Maharashtra to invoke appropriate provisions of the Maharashtra Agricultural Produce Markets Act to derecognise present such wholesale markets in Fort, Duncan Road, Byculla, etc., to force them to move to APM in New Bombay. The traders carried the issue from the lowest to the highest courts and finally lost it. They then resumed their dialogue with the CIDCO and agreed to shift. But by August 1980, only the onion and potato markets could be shifted, however. In mid-1980, when the new government took office, the wholesale traders lobbied with it involving among others the BMRDA. The Maharashtra Government decided in 1980 that all the vegetable wholesale markets can not be shifted to New Bombay since the overwhelming quantum of perishable items are consumed in Greater Bombay and preferred their relocation to Bandra-Kurla commercial centre being developed by the BMRDA.²¹ The whole-

²⁰This was one of the many issues on which the CIDCO had tremendous studied information, competent professional advice and even advance warning. Two of its then nine existing task forces had forcefully argued that in the absence of any easy hire-purchase arrangement the expected group can't purchase the housing. The CIDCO's capital would consequently be locked. One such note was titled "CIDCO Goes Red".

²¹An important BMRDA official indicated that the government's decision had the BMRDA backing. The CIDCO had obviously collided head on with the very agency responsible for regulating development of the BMR.

sale trade itself has now come to realise that sooner or later it has to shift and New Bombay offers better choice and opportunities than Bandra-Kurla, and has approached the CIDCO to give housing to them close to the APM apart from plots, shops, godowns, etc., in the APM. Presently, the CIDCO is in the process of developing a 34 ha. complex for the sugar, jaggery, spices, oil and oilseeds, fruits and poultry trade and 'expects to shift' roughly 2,000 jobs and 1.2 million tones of annual traffic to New Bombay.

The CBD at Belapur has not gone very far so far. Its first phase was expected to develop 347 ha. where the office complexes had to come up. To date, only a solitary government complex, the Konkan Bhuvan, with an employee strength of 1,300 is functional, although housing accommodation and other social facilities have been provided in the area. Plots for office complex for the banks, insurance and private companies have been earmarked with the liberal FSI of two. The voluntary response from the tertiary sector has been dismal. It is here that the decisive role had to be played by the Maharashtra Government. It was morally committed to shift critical central functions to arrest Bombay's growth and help relocation efforts of the CIDCO. Successive governments—Naik, Chavan, Patil, Pawar—have, however, actively promoted the Backbay project. The building of the Assembly complex at Nariman Point has, in fact, only emboldened the private estate sharks. With the assumption of office by Mr. Antulay, a much more ambitious plan of recasting of Greater Bombay's economy and life has been set in motion. This plan which started with the piece-meal airing of single projects such as the West-Island Freeway (involving a Dubai firm), Gateway—Uran bridge (with J.R.D. Tata heading an autonomous corporation to conceive and construct it), shifting of State Government offices including Mantralaya to the main land, and regulation of the flow of migrants to the city, etc., has finally crystallised with the Kerkar Group's recommendations integrating a major part of the BMR (from Pen and Alibag in the south, Karjat and Kalwa in the east, Bassein and Bhiwandi in the north) to make a grand Bombay Metropolitan City. In this ruthless attempt, reshaping and restructuring generally involves groups such as pavement and slum dwellers and dilapidated areas; private manufacturing, trade, business and office sectors would not be brought under any genuine pressure to move out of locations in Greater Bombay.

The CIDCO had decided that development of 400 ha. New Panvel node would be attempted largely through private efforts. As such, it offered 1,000 developed plots to the public which were promptly snapped up by the estate developers and property speculators. Not much of expected development has materialised so far although over six years have elapsed thereafter. Spurred by the belated response of the whole-

sale traders, however, the CIDCO is now developing a 250 ha. Kalam-boli warehousing-cum-marketing complex close to the New Panvel for the iron and steel trade at a cost of Rs. 5 crores. This would 'enable shifting of iron and steel stock yard and market presently located at Darukhana and Carnac Bundar respectively resulting in diversion of 15,000 jobs and 2 million tonnes annual traffic.' 1,500 plots have already been purchased by the Iron and Steel Merchants' Association. Offices of TISCO, IISCO and SAIL are to be located there.

The Nhava-Sheva port project was mooted in 1958 and was one of the major considerations for planning the city of New Bombay. However, as a critical gleaning of relevant papers concerning this project and my discussions with the officials of Bombay Port Trust (BPT), Maharashtra Government, the Ministry of Shipping and Transport, the Planning Commission, and the shipping trade indicates, it was caught in the war of attrition going on between the Ministry of Shipping and Transport and the Planning Commission on the one hand and the BPT and Gujarati shipping interests lobby propelled and run by multinationals interested in marketing sophisticated port handling technology on the other. Twenty two years and three Expert Groups later, the Planning Commission could accord 'in principle' sanction to the project in May 1980 and ask for a detailed project report. In the meanwhile, the 500 year old Bombay harbour, with a limited draft and consequently limited capacity to handle large sized ships, has been forced to operate at 90 per cent of capacity utilisation (as against recommended 60-70). Desilting operations have almost been totally disrupted. Congestion at the port has reached such proportions where ships have to wait for 40-50 days mid-stream. Between 1962-63 and 1977-78 the shipping lines suffered a dead loss of Rs. 79.71 crores, (its present value reckoned at Rs. 128.22 crores) on this account. Some shipping lines are now boycotting the port. The cost of building Nhava-Sheva, originally estimated to be Rs. 58 crores, has now soared to, depending upon the proposed berthing capacity and level of technology to be used, figures ranging between Rs. 200 to Rs. 300 crores.

While the Planning Commission and other agencies were busy in deliberating the issue, oil and natural gas was struck in Bombay High first and Bassein shelf still later in the early seventies. The Oil and Natural Gas Commission (ONGC) required substantial shore and terminal facilities to commercially exploit these finds. Shore facilities complex had to be located at a place which had direct access to deep water berthing. Only Nhava-Sheva islands in New Bombay met this requirement. However, since these were needed for the alternate port and port based industries, the CIDCO was not inclined to accept their request of allotting land there for both these requirements. After much haggling, the state government 'persuaded' CIDCO to allot land to ONGC at

Nhava for the shore facilities complex and near Uran for the terminal project. Now the ONGC is demanding additional land at Nhava whereas the BPT, promoters of Nhava-Sheva port, are fighting a battle with the CIDCO, the Ministry of Petroleum and Chemicals, and Maharashtra Government arguing against it fearing mortal damage to their port project. Further trouble has been caused by environmentalist group which wants parts of these island as a green belt region. In response to their high-pressure campaign, the Prime Minister has already directed that areas around the proposed port should not have parasite industries and when the detailed project report (DPR) of Nhava-Sheva goes to the Planning Commission for appraisal, the latter should scrutinise to see that it would significantly decongest Bombay port.

During the first 10 years, the CIDCO's nodal and area development strategy in New Bombay was using the existing industrial base points (with the solitary exception of CBD Belapur) as props. Its annual average expenditure on the project was Rs. 4.16 crores. By January 1980 the CIDCO itself had come to the realistic conclusion that its tempo of development work in New Bombay was just not sufficient: it had to be considerably pepped up. Keeping the changed context in view, therefore, it prepared its 1980-85 five year strategy with an estimated outlay of Rs. 385.83 crores to be spent by the CIDCO and Rs. 106.42 crores to be spent by the Central ministries of Railways and Communications. This strategy involved development of four new nodes (Airoli near Thane, Nerul between Turbhe and Belapur, Kalamboli near Panvel and Uran near existing town of Uran), expansion of existing nodes at Vashi, APM, and CBD Belapur, laying of two rail links (Mankhurd-Belapur, Kalwa-Turbhe) inter and intra-city bus system and the Nhava-Sheva port and port based industries. There is hardly any financial commitment from the concerned agencies about the non-CIDCO component of this plan: CIDCO itself hopes to manage only 50 per cent of funds for implementing the CIDCO part of the plan, the other half hopefully coming from the state government and the World Bank.

THE RHETORIC AND REALISATION OF SELF-SUSTAINED CITY DEVELOPMENT

As I have already indicated, one reason why the Maharashtra Government agreed to develop New Bombay in preference to the Bombay Development Plan proposals was the expected ability of the NTDA to use land as a resource making city development a commercial and self-sustained proposition. The general idea was to acquire land at cheap rates, develop it, sell at a profit and generate surplus to make a revolving fund. This was also the reason why this task was entrusted to the CIDCO Ltd., a wholly owned subsidiary of the state-owned SICOM

Ltd. until March 1976 and an independent company thereafter and registered under the Companies Act from its very inception.²² The New Bombay Draft Development Plan only confirmed this by stating that New Bombay was expected to be a self-supporting exercise on the DDA model.²³

As a part of the overall understanding between the CIDCO and the state government, the latter was expected to provide a substantial loan to the former in the form of share capital to enable it to start its operations in New Bombay. The CIDCO was also expected initially to raise loans from the open market for which the state government or its agencies would stand guarantee. Since only the government was empowered to acquire land in the project area and land acquisition involved administrative costs apart from payment of compensation, the State Government was to undertake this task with the CIDCO paying back the entire costs of acquisition. The statutory terms, finalised in 1972,²⁴ empowered the CIDCO to: (a) dispose of land in New Bombay after its development; and (b) appropriate the proceeds to the expenses incurred on development including administrative expenses plus agency remuneration.²⁵ The balance was to be transferred to the government.

Vagueness about financial costs of New Bombay, as seen earlier, had been started by the MARG piece. The GR defining the relationship between the CIDCO and the State Government added further dimensions to it: for, if surplus generated was expected to be transferred back to the government how was the revolving fund, through which the CIDCO was going to build the entire New Bombay, to be established? The pregnant meaning of the GR becomes fairly obvious when the history of the CIDCO's capital structure, contained in Table 7, is examined critically. Paid-up capital, in the form of share capital, secured and unsecured loans comprise three important components of the CIDCO's capital structure. The paid-up capital was Rs. 10 lakhs in 1970-71: it was increased to Rs. 100 lakhs in 1971-72 to Rs. 200 lakhs in 1975-76 to Rs. 270 lakhs in 1976-77 and to Rs. 395 lakhs in 1977-78. SICOM has subscribed it hundred per cent. The proportion of this component was about 60 per cent in the first year and has fluctuated between a low of 4.4 to a high of 9.7 per cent thereafter. Secured loans have been entirely coming from the commercial banks and have never been higher

²²A provision in the Maharashtra Town Planning Act 1966 says that new town development agencies should be given money by the government as advances to be recovered later.

²³ New Bombay Draft Development Plan, *op. cit.*, pp. 13, 116.

²⁴Government Resolution, General Administration Department, CID-2072-U, dated 24 January 1972.

²⁵ Kept at Rs. 3 lakhs for the year 1971 to be increased each year by Rs. 1 lakh subject to a maximum of Rs. 5 lakhs for any year.

TABLE 7 CAPITAL STRUCTURE OF CIDCO LTD.

(Rs. in Lakhs)

| Financial year | Paid-up capital | Borrowings | | | | | Total |
|-------------------|--------------------|------------------|-----------------|--------------------|----------------|--------|---------|
| | | Secured banks | Unsecured | | | | |
| | | | Deben- tures | Holding company | State Govt. | HUDCO | |
| 1970-71 | 10 | — | — | 16.60 | — | — | 16.60 |
| 1971-72 | 100 | 24.25 | 1208.17 | 215 | — | — | 1571.49 |
| 1972-73 | 100 | 1.06 | 1208.17 | 215 | — | — | 1614.32 |
| 1973-74 | 100 | 96.45 | 1593.17 | 215 | — | — | 2132.98 |
| 1974-75 | 100 | 39.98 | 1593.17 | 215 | — | — | 2279.88 |
| 1975-76 | 200 | 28.81 | 1593.17 | 215 | 125 | 189.47 | 2869.72 |
| 1976-77 | 270 | 101.90 | 1978.17 | 215 | 125 | 351.11 | 3778.23 |
| 1977-78 | 395 | 6.69 | 1978.17 | 215 | 125 | 550.84 | 4084.86 |
| 1978-79 | 395 | 24.26 | 1978.17 | 215 | 200 | 631.59 | 4439.39 |
| 1979-80 | 395 | 52.21 | 1978.17 | 215 | 270 | 703.95 | 4779.46 |

SOURCE: Compiled from Annual Reports of SICOM Ltd., Bombay and CIDCO Ltd., Bombay and New Bombay.

than 4.5 per cent. In some years, in fact, they have been less than one per cent. Among the unsecured loans, borrowing from the market through issue of debentures, redeemable in periods varying between 12-15 years, have been resorted to three times so far: (a) $7\frac{1}{4}$ per cent debentures issued for Rs. 1,208.17 lakhs in 1971-72 and redeemable in 1983-86; (b) $7\frac{1}{4}$ per cent debentures issued for Rs. 385 lakhs in 1973-74 redeemable in 1986-89; and (c) $10\frac{1}{4}$ per cent debentures issued for Rs. 385 lakhs in 1976-77 redeemable in 1988. These have often accounted for as much as 76.9 per cent and, thus, formed the bulk of CIDCO's capital structure. In percentage terms, their proportion has been declining (from a high of 76.9 in 1971-72 to 41.4 in 1979-80) because of expansion of the size of capital structure itself, although these have been increasing in absolute terms (from Rs. 1208.17 lakhs in 1971-72 to Rs. 1978.17 lakhs in 1976-77). The SICOM has also provided a soft loan of Rs. 215 lakhs at 6 per cent interest in 1971-72 and the State Government extended one loan of Rs. 125 lakhs in 1975-76 another of Rs. 75 lakhs in 1978-79 and a third of Rs. 70 lakhs in 1979-80. The Housing and Urban Development Corporation (HUDCO) has provided loans since 1975-76 which have been varying between 6.6 to 14.7 per cent of the CIDCO's total capital structure. Thus, even after expiry of 10 years the CIDCO has been relying on the scarce governmental finances rather heavily much against its proclaimed aim of self-sustained development.

TABLE 8 EXPENDITURE ON AND RECEIPTS OF NEW BOMBAY PROJECT

| <i>(Rs. in Lakhs)</i> | | | |
|-------------------------------------|--------------------------|--|--------------------------|
| <i>Particulars</i> | <i>Up to 1978-79</i> | <i>Incurred during 1979-80</i> | <i>Up to 1979-80</i> |
| (1) | (2) | (3) | (4) |
| EXPENDITURE | | | |
| 1. Land and Area Development | | | |
| A. VASHI | | | |
| (i) Physical Infrastructure | 490.72 | 79.14 | 569.86 |
| (ii) Social Infrastructure | 70.46 | 5.30 | 75.76 |
| (iii) Commercial Complex | 32.85 | 15.10 | 47.95 |
| (iv) APM | — | 12.86 | 12.86 |
| SUB-TOTAL | 594.04 | 112.40 | 706.43 |
| B. CBD BELAPUR | | | |
| (i) Physical Infrastructure | 57.36 | 29.10 | 86.46 |
| (ii) Social Infrastructure | 11.72 | 0.52 | 12.24 |
| (iii) Commercial Complex | 9.59 | 1.19 | 10.79 |
| SUB-TOTAL | 78.67 | 30.81 | 109.48 |
| C. PANVEL | | | |
| (i) Physical Infrastructure | 21.29 | 19.13 | 40.42 |
| (ii) Social Infrastructure | — | 1.86 | 1.86 |
| (iii) Commercial Complex | — | 0.36 | 0.36 |
| SUB-TOTAL | 21.29 | 21.35 | 42.64 |
| D. KALAMBOLI WAREHOUSING | | | |
| | 0.16 | 56.17 | 56.34 |
| E. GHANSOLI | | | |
| | 0.06 | — | 0.06 |
| F. URAN | | | |
| | 11.90 | 11.28 | 23.18 |
| TOTAL (A to F) | 706.14 | 232.01 | 938.14 |
| 2. Housing | | | |
| A. VASHI | | | |
| | 670.17 | 67.27 | 737.44 |
| B. CBD BELAPUR | | | |
| | 81.05 | 28.63 | 109.68 |
| C. PANVEL | | | |
| | 0.07 | 2.07 | 2.15 |
| TOTAL | 751.23 | 97.98 | 849.26 |

(Continued)

(Continued)

| | (1) | (2) | (3) | (4) |
|--|-----|----------|--------|----------|
| 3. City Scale Development | | 345.88 | 12.84 | 358.73 |
| 4. Transportation | | 232.58 | 49.26 | 281.85 |
| 5. Rehabilitation | | 95.43 | 12.40 | 107.83 |
| 6. Studies, Surveys, Seminars | | 27.64 | 0.46 | 28.09 |
| 7. Loss on Hovercraft A/c | | 38.71 | 2.58 | 41.29 |
| 8. Loss on Bus A/c | | 0.51 | 31.30 | 31.81 |
| 9. Provision for Doubtful Advances | | 4.12 | — | 4.12 |
| 10. Expenses Transferred on New Bombay A/c | | 1,291.23 | 231.25 | 1,522.43 |
| TOTAL (1 to 10) | | 3,493.53 | 670.09 | 4,163.61 |
| RECEIPTS | | | | |
| (Disposal on Behalf of State Government) | | | | |
| 1. <i>Sale of Tenements, Shops, etc.</i> | | | | |
| A. VASHI | | | | |
| (i) Flats | | 630.69 | 172.10 | 802.79 |
| (ii) Shops | | 33.99 | 8.64 | 42.63 |
| (iii) Hospital | | 19.52 | — | 19.52 |
| (iv) School (in Sector I) | | 27.18 | — | 27.18 |
| (v) School (in Sector II) | | 14.00 | — | 14.00 |
| SUB-TOTAL | | 725.37 | 180.75 | 906.12 |
| B. CBD BELAPUR | | | | |
| (i) Flats and Tenement | | 54.39 | — | 54.39 |
| (ii) School Building | | — | 14.00 | 14.00 |
| SUB-TOTAL | | 54.39 | 14.00 | 68.39 |
| 2. <i>Sale of Plots</i> | | | | |
| (i) Vashi | | 146.80 | 15.71 | 162.50 |
| (ii) APM | | — | 140.75 | 140.75 |
| (iii) CBD Belapur | | — | 12.76 | 12.76 |
| (iv) Nhava-Sheva | | 1.50 | 6.14 | 7.64 |
| (v) Kalamboli | | — | 96.48 | 96.48 |
| (vi) Panvel | | — | 80.00 | 80.00 |
| (vii) Uran | | — | 498.50 | 498.50 |
| (viii) Gaothan Expansion Plots | | — | 1.84 | 1.84 |
| SUB-TOTAL | | 148.29 | 852.17 | 1,000.46 |

(Continued)

(Continued)

| | (1) | (2) | (3) | (4) |
|-------------------------------------|-----|----------|----------|----------|
| 3. Service Charges | | 35.89 | 17.71 | 53.60 |
| 4. Miscellaneous Receipts | | 63.76 | 21.45 | 85.22 |
| 5. Recovery of Overheads from BMRDA | | — | 6 12 | 6.12 |
| 6. Agency Charges for APMC Work | | — | 6 19 | 6.19 |
| 7. Sale of Medical Equipment | | 6.70 | — | 6.70 |
| 8. Net Bus Earnings | | 18.24 | — | 18.24 |
| 9. Depreciation on Buses | | 68.50 | 22.73 | 91.23 |
| 10. Depreciation on Hovermarine | | 11.18 | — | 11.18 |
| | | | | |
| TOTAL (1—10) | | 1,132.32 | 1,121.13 | 2,253.45 |
| | | | | |
| Amount Unrealised | | 2,361.20 | 451.04 | 1,910.16 |

SOURCE: Annual Report 1979-80, CIDCO Ltd., Bombay and New Bombay.

NOTE: Figures rounded.

TABLE 9 ANNUAL PROFIT/LOSS BY CIDCO LTD.

(Rs. in Lakhs)

| <i>Financial year</i> | <i>Profit (+) or Loss (—)</i> |
|-----------------------|-----------------------------------|
| 1970-71 | 3.38 (—) |
| 1971-72 | 2.60 (—) |
| 1972-73 | 2.08 (—) |
| 1973-74 | 3.27 (—) |
| 1974-75 | 4.01 (—) |
| 1975-76 | 1.93 (—) |
| 1976-77 | 1.58 (—) |
| 1977-78 | 2.28 (—) |
| 1978-79 | 0.36 (—) |
| 1979-80 | 1.47 (+) |

SOURCE: Compiled from the Annual Reports of SICOM Ltd., Bombay and CIDCO Ltd., Bombay and New Bombay.

An analysis of the working financial results of the CIDCO as reflected in the expenditure and receipts on the one hand (Table 8) and annual profit/loss incurred (Table 9) on the other makes it clear that the operationalisation of land as a resource in New Bombay has been a very agonising experience. At the end of first nine years (1970-1979), the receipts had been roughly one third: two-thirds of the investment made remained unrealised. The situation appeared to have turned for the better thereafter since at the end of 10th year (1979-80), the receipts increased to 54 per cent. However, this somewhat better liquidity, as is evident from Table 8, was achieved almost entirely due to significant sale of undeveloped land lying outside the nodes being developed by the CIDCO to the bulk users.²⁶ More importantly, the CIDCO has been incurring annual losses in the first 9 years and has registered a notional profit in the tenth year. Any hope of developing a significant revolving fund to sustain an accelerated tempo of developmental work in New Bombay is still unrealised. Very candidly, the CIDCO itself has now left this non-realisable pursuit and its current thinking is to go in for large sized soft loans from a large number of agencies, (*i.e.*, IDA, central and state governments, medium and short-term lending institutions) and floating of subsidiary companies looking after specific civic amenities, (*i.e.*, Bombay Metropolitan Road Transport Corporation Ltd.) and with facility to independently seek finances for themselves.²⁷

FACTORS RESPONSIBLE FOR NON-REALISATION OF SELF-SUSTAINED GROWTH OF NEW BOMBAY

The conclusions which emerge from the preceding section call for tentative identification of factors which resulted in the non-realisation of self-sustained growth of New Bombay. It is easy enough to put the entire blame on the CIDCO Ltd. without referring to the context, conceptual and methodological choices made and role played by numerous other agencies in the operationalisation process. From my analysis of facts, figures, and motives, the following important factors emerge:

1. Conceptually, the visualisation of New Bombay assumed a congruence between development finance and regional planning strategies. In reality, the two strategies are unless tactically reconciled, incongruent: the former following the market forces

²⁶This was no coincidence. On the other hand, this was the principal advice given by the CIDCO's financial consultants M/s Ajgaonkar & Company through a report submitted in 1978. It is not exactly robbing Peter to benefit Paul but it comes pretty close to it.

²⁷A detailed view could be had from *Multi Sector Urban Development Projects for New Bombay*, Bombay, CIDCO Ltd., 1981.

and the latter attempting to reshape them. Operation of the development finance strategy produces best possible results when it is confined to the remunerative commercial projects, as for example attempted by the DDA in Delhi, where the revolutions of the money invested are in quicker cycles, gestation period short, project margins higher and sale potential very attractive. In other words, it is generally used for localised development; all major city structure, and/or regional infrastructures are financed either through an independent source/agency or they are not a prerequisite for local development at all. Having addressed itself to the more ambitious task of developing total city of two million population in 20 years the CIDCO hardly had much choice left but to develop a few nodes and large scale city structure projects in New Bombay. This was bad enough. In later years, it was persuaded to embark on several other projects in scattered locales (*i.e.*, Bandra-Kurla, New Aurangabad, New Nasik, New Nanded, Tarapur, Maisamal and New Nagpur). One of its projects had a short gestation and some projects, especially of the city structure in New Bombay, had an indefinite and indeterminate period of allocation and realisation of costs incurred on them. It was given funds by the State Government and stateowned SICOM only for the New Bombay projects; it invested its own scarce funds in all other projects. Thus, investment followed, dispersed approach and organisational capability was diluted. Liquidity was, consequently, the biggest casualty in the process.

2. Several contextual factors have contributed to cost maximisation and profit minimisation (or even elimination). A city develops—and develops fast—if it has an independent and sound economic base. New Bombay had only *derived status*: its name and concept reflected this identity, several other pronouncements to the contrary notwithstanding. First, as I have pointed earlier, a large area inside New Bombay was already siphoned off by the MIDC. As a result, the CIDCO had considerably reduced scope for generating quick profits through sale of industrial plots. Second, environmental considerations made the CIDCO lay the policy guideline of not allowing location of large-sized industrial units in New Bombay. Third, peculiar topography and terrain made cost of reclamation and development scale dizzy heights. Quite often these costs had to be allocated to different nodes thereby increasing the units of the land uses and, in turn, making it harder to market. Fourth, the inter-relationship between different central functions, presently

overcentralised in the southern most tip of Greater Bombay, was far too strong as to be successfully wooed by presence of only better quality of life in New Bombay: shifting of central functions of the quality and force as are operative in Bombay's CBD had been a 'bunched' or 'basket' operation to succeed. As ruefully admitted by D'Souza,²⁸ this was clearly a herculean political task left with the CIDCO: the political forces, once expected to facilitate it, actually worked overtime to substantially increase its magnitude. CBD interests seldom move on their own and have not done so in Bombay.

3. Pursuit of contradictory policies by the Maharashtra Government, mid-stream intervention roles played by the Bombay Municipal Corporation and the BMRDA, and lackadaisical turbulent negotiation strategy followed by the Bombay Port Trust (for the Nhava-Sheva port) have all added to the CIDCO's financial misery. By deciding to build New Bombay, Maharashtra Government had made one policy choice, namely, to build a 'counter-magnet' across the harbour. This decision required matching, and politically speaking, hard decisions to relocate assembly secretariat and all important offices to New Bombay, completely stop the Backbay project, and exert sustained pressure on the tertiary sector to move to the CBD at Belapur. It did nothing of the kind. On the other hand, it continued to expand Backbay project and put specific brakes on the decongestion efforts of the CIDCO (such as shifting of vegetable and fruit market, etc.).

While New Bombay was being built, growth of Greater Bombay continued unabated. The Bombay Municipal Corporation with the encouragement and help of Maharashtra Government has been slowly though surely implementing many of the Wilbur Smith proposals. And the BMRDA, ever since it came on the scene in 1975, has embarked on the development and regulation of the entire BMR including Bandra-Kurla, Greater and New Bombay. Its efforts, thus, involve development of the interactional profile between Greater Bombay and its satellite small towns in the region on the one hand, and New Bombay on the other. At the theoretical level and in the ultimate analysis this forms part of an integrated plan of developing the total Bombay metropolitan region. In the short and medium run, however, the CIDCO's plan of attracting migrants and decongesting Greater Bombay was and is taking a big beating because of these efforts.

²⁸Personal discussion, *op. cit.*

The Nhava-Sheva project was a key component of New Bombay 'growth and viability'. Turbulence pertaining to this project, identified earlier, was not very imaginatively negotiated by the Bombay Port Trust. First, it allowed the Planning Commission to diagraph and dilute the main issue of the option, namely, the chronic need to decongest and relieve pressure on Bombay harbour.²⁹ Second, its political handling of the case with the State and the Central Governments was hardly up to the mark with the result that the urgency and importance which needed to be accorded to the project at political level was not obtained. Third, while the whole country was aware of the site of proposed Nhava-Sheva port it remains a mystery how the ONGC succeeded in getting allocation of substantial amount of land on the Nhava island that too much against the wishes of the CIDCO.³⁰ This setback too could have been—in fact, it can still be—converted into an opportunity in the national interest to work out a DPR of Nhava-Sheva³¹ attempting an integrated port and ONGC shore facilities project. Instead, it is fighting a losing battle with the ONGC, Ministry of Petroleum and Chemicals on the one hand, the CIDCO on the other. Inevitably, the sanction, installation of the port and port-based industries in New Bombay is getting jeopardized. New Bombay suffers in turn.

4. Organisational structure of CIDCO, its internal climate, processes and systems led it to follow some methodologies which posed considerable problems, and increased its costs. Organisationally, CIDCO has been enigma. It was a company registered under the Companies Act, working as a New Town Development Authority for New Bombay (and special planning authority for many other towns later), planning, developing, marketing, and administering New Bombay. During 1971-74 when most crucial decisions were taken committing the organisation to irrevocable series of options, it employed parallel and at times conflicting systems, (i.e., establishment and personnel sections; time accounting and PERT management information systems; discipline based and task based groups; inside groups

²⁹The discussion instead shifted to future growth of traffic at Bombay harbour. This made the debaters gloss over the difficulties being experienced in handling the listed quantity of traffic.

³⁰CIDCO was forced by the State Government to allot land to the ONGC at Nhava island. The Draft New Bombay plan approved by the State Government had reserved both the islands for the port.

³¹This is being prepared by M/s Howe India Private Ltd., a consulting firm with tie-up arrangements with the Canadian and American consulting companies.

controlled and managed by outside consultants; general over-staffing in the midst of selective scarcity of specialised talent; heavy percentage of aged 'on loan' employees in key sections of establishment, rehabilitation, finance from very conservative institutions in a creative organisation manned by new entrants, etc.). While there was considerable openness in the planning wing horizontally, it was almost totally absent vertically. As such, quite often the CIDCO professionals ended up in finding conceptual, methodological and financial justifications for ideas coming from top.³² These decisions had their financial implications and ultimately got reflected in the per unit cost of the marketed land in New Bombay.

The CIDCO felt that its 'financial arrangements' provide a means of tapping private capital and using it for a public purpose. It also felt that 'all development costs, including costs of providing improved urban and social amenities are to be met by realising funds through disposal of land'.³³ The methodology adopted was to acquire land, at cheap rates, develop it (physical and other infrastructure, etc.) and sell to generate funds enough to repay its borrowed capital and develop a revolving fund. In its enthusiasm, it also decided to sell constructed housing at cost with a system of cross subsidies. Only commercial developments were to be disposed using commercial mechanism to generate surpluses to be used, among other things, for providing improved social infrastructure.³⁴ The costing and pricing of developed land inside and outside the nodes has, however, worked against the interests of the buyers of the former. This is due to the fact that, apart from cost of land acquisition, development, and construction, these have also got allocated costs (of the city structure, interest servicing, administration) added to them. Leading of all the costs on the buyers keeps a larger number of them out from purchasing them reducing the marketability of the products. The bulk buyers of land outside the nodes are getting away with comparatively lighter lease fee. Since only a part of the cost of city structure development is being allocated to the few nodes being developed, its larger part remains locked up. The CIDCO's experience of marketing social infrastructure, (*i.e.*, schools, hospitals, etc.) also indicates that the buying agencies insist on deferred payment at concessional rates of interest.³⁵ To sum up, CIDCO's liquidity position has not been very

³²One might be hard put to find justification for Don quixotic experiments such as the prefabricated housing in Vashi and operation of hovermarine.

³³New Bombay Draft Plan, *op. cit.*, p.8.

³⁴*Ibid.*, p. 13.

³⁵This is also accompanied by their tendency to collect unauthorised subscriptions under various pretexts and subterfuges.

impressive although it has picked up admirably during the last two financial years.

NEW BOMBAY: LESSONS FROM THE EXPERIMENT

Launching of New Bombay was a big gamble in developing a major counter-magnet city in the frightful shadow and influence of a major metropolis. Ten years after that event, what does its rich and varied experience through trial and error approach offer to the planners and policy-makers? Although this country and its leadership has seldom displayed the habit of learning from past history, I am extracting a few important lessons from New Bombay experiment for what they are worth.

1. Phenomenal growth of metropolis and acute centralisation of central functions in its CBD cannot be possibly avoided in a stratified capitalist society. Since these two processes continue unabated and the city keeps on expanding vertically and horizontally, circulation and quality of life become major problems which affect the poor, the weakest, the unorganised segments most adversely. Renewal and restructuring exercises are ideologically so planned as to make the same segments bear their pains, (*i.e.*, demolition, resettlement, land acquisition, etc.); the monopoly and non-monopoly capitalist class and their associates which have multiplied the felt problems almost always escape this trauma and destabilisation. If a new city is being built nearby, as was the case in New Bombay, the poor of that area are deprived of their land and means of livelihood and the cost of developing the city is mainly borne by the initial settlers. The very segments, which exploited the potential of existing metropolis to the hilt and contributed in no small measure to its unmanageable problems, again succeed in obtaining the best possible terms in the new city under various pretexts. To avoid this double disadvantage to the poor and double benefit to the wealthy, twin city planning has to be an exercise in shock therapy for the business, trade, manufacturing, tertiary sectors first. Only then the twin processes of new city development and old city restructuring could be properly dovetailed. In any case, the relocation and restructuring decisions would have to be a bunching exercise and accompanied by a package of incentives and dis-incentives. The need for very high level of political courage could hardly be overemphasised.
2. Since bigger cities continue to grow despite much talked about deterioration in the quality of urban life, it is obvious that they

continue to retain potential for further exploitation. Men like D'Souza now concede that embarking on New Bombay was not one of the very wise steps.³⁰ Perhaps, much better results could have been achieved by strengthening the satellite towns in the Bombay metropolitan region including development of the Uran, Panvel and perhaps Vashi. It would be a wiser policy to plan larger number of smaller urban settlements in metro-regions with highly assertive growth impulses than further expanding a very highly congested centre. The strategy would also be advantageous to make mid-stream changes less costly exercises in such cases.

3. Development of total cities of the nature, complexity and extent seen in New Bombay cannot be managed through the use of land as a resource. Obviously, some kind of compartmentalisation involving differentiation between nodal and non-nodal development, commercial and non-commercial development, nodal and city structure development and physical, social and civic infrastructure development would have to be made for raising the finances of such outlays and in marketing. While overall city structure and nodal planning must remain the sole responsibility of one single agency, subsidiary organisations, working under its umbrella, must be established to develop all these and to obtain soft-loans and advances from the governments, their agencies, financial and term-lending institutions and the market. The centralised planning agency should frame and employ turbulent negotiation strategies involving itself with: (i) governments and governmental policy-laying, fund-donor agencies; (ii) institutions expected to establish crucial components of city plan; and (iii) project affected people, relocation target groups and political parties.
4. Twin-cities have generally not succeeded. One of the two—usually the older one—has almost always kept the other in the background and subsequent interventions from various directions have not allowed a distinct identity to emerge for the latter. Therefore, an independent economic base—manufacturing or office sector base—must be provided for the envisaged city to save such exercises from utter failure. □

³⁰Personal discussion, *op. cit.*

*Reappraising Urban Land Tax Effectiveness Against Policy Goals**

ORVILLE F. GRIMES, JR.

LAND TAXATION in urban areas is an idea whose time has been coming for more than sixty years. That is a long time to recognise the benefits of taxing land more heavily than other factors of production, and the equity of capturing betterment, for so few tangible results. Isolating reasons for this apparent anomaly is a difficult task, one whose magnitude is increased by the tremendous variety of economic and social contexts within which land taxes have been applied. Even so, a rough but reasonably firm generalisation seems possible. In the experience of most countries or municipalities, taxation of urban land value increments has been less of a failure absolutely than relative to the efficiency and equity goals it was designed to achieve—goals that have often been unrealistic and overambitious. At the same time, the practical difficulties of tax collection and administration and the potency of political opposition to taxing land have been underestimated.

The theme of this paper is one of (very) cautious optimism that urban land taxation is now beginning to come into its own. The process has been slow and iterative. Urban land taxation remains more as potential than reality. Yet the advantages and the variety of taxes on urban land are increasingly being recognised, particularly in the developing world. Tax tools are being sharpened, in Taiwan, France, Korea, Sweden, Columbia and elsewhere. More importantly, experience has taught that land taxes are rarely if ever effective when used alone. They are increasingly viewed as part of an integrated approach to urban land development, in which improvements in urban land use occur through fiscal tools applied in combination with public acquisition of parcels in advance of need, pre-emption, land reserves and preservation of open spaces.

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INSTRUMENTS

The rationale for taxing urban land increments is well established.¹ It consists of three main components: (1) A tax on land does not affect the cost of holding land relative to the cost of developing or selling it, and so will not alter production decisions at the margin; (2) Land as a physically fixed factor will not 'leave town' no matter how heavily taxed; and (3) Against a backdrop of sustained land price inflation in both developed and developing country cities, governments are missing an opportunity in not capturing more socially earned incremental value for their own use. Fiscal instruments at the disposal of governments include: (a) land value increment taxes; (b) betterment levies; (c) taxes on speculative gains from the sale of land; and (d) improvement charges. This paper will briefly review these instruments and discuss their effectiveness in the light of alternative policy goals. Implications of land taxation for urban project design will be examined in a concluding section.

Land Value Increment Taxes

Attempts are legion to capture for use by local governments and other public bodies the increment in land price arising from general inflationary forces, decisions of private firms having external effects on the taxable parcel, and actions of the public authorities themselves, either by direct investment or by planning decisions. Since, in Harriss' apt phrase, the development value of a parcel is "the worth of a planning permission,"² public authorities have long felt justified in removing at least a part of this increase through taxation.

Important questions arise in the application of land increment taxation. First, few would disagree that the tax should be levied on unrealised as well as realised gains. Land increment taxation may occur at the time of sale (as in much of Latin America, India, Korea, Indonesia and Israel) or periodically though the parcel has not changed hands (as in Denmark, Italy and the United Kingdom). In general, though, Ministries of Finance must be satisfied with taxation of realised gains, since it is rarely worth the cost of reassessment to determine imputed values at intervals short enough to capture significant increments.

A case can be made that land value increment taxation should be

¹Since this paper focuses primarily on land value taxation, no attempt will be made to describe the workings of the orthodox property tax (on land and buildings) or to examine the effects of switching from a property tax on land alone. This subject has been extensively treated in Hicks. For the same reason I abstract from the question of the appropriate tax base—annual vs. capital value—and related issues.

²C. Lowell Harriss, "Land Value Increment Taxation: Demise of the British Betterment Levy", *National Tax Journal*, XXV, December 1972, p. 568.

progressive. The Land Value Increment Tax (LVIT) of Taiwan, for example, one of the most successful, has rates of 20 per cent of land price increment if the increment is less than 100 per cent of the parcel's previous value; 40 per cent on the increment between 100 and 200 per cent; 60 per cent on the increment between 200 and 300 per cent; and 80 per cent on all increments over 300 per cent of parcel's previous value. The recent experience of Taiwan as a whole and of Taipei shows that about 54 per cent of total LVIT collections were obtained from the 80 per cent bracket, with another 24 per cent from the 60 per cent bracket.³ An important unresolved issue is whether progressive land increment taxation encourages parcellisation of holdings. In the presence of progressive rates, households have an incentive to divide their holdings among relatives of friends and pay in the lowest bracket on each. This has usually not proved much of a problem in practice, however, first because title registration is long and time consuming, and second because decisions about whether to build, improve or sell are more difficult for the landowner to make and enforce if nominal ownership is dispersed, even among members of his immediate family.

Betterment Levies

Since 1427, when Great Britain authorised charges to appropriate the increase in land value brought about by street widening, sewer extensions and other public investments, the return on land attributable to community investment has been regarded as a collective good. Britain's experience with capturing betterment in modern times provides valuable lessons of procedure and technique.⁴ A development charge instituted in 1947 attempted to capture all of the 'development value' of land, the difference between value in current use and value in the future, more productive use (adjusted for costs including risk) that planning permission made possible. The experience was largely a failure because landowners refused to sell at a price which did not reflect their anticipation of the future net worth of the land. With a 100 per cent development charge, the effective supply of land for urban development dried up. The 1967 Land Commission levy, with a rate of 40 per cent, was more successful in avoiding these 'lock-in' effects.

³Department of Taxation, Ministry of Finance. Data pertain to 1972.

⁴Betterment is "any increase in the value of land (including the buildings thereon) arising from central or local government action. . . (and) enhancement in the value of property arising from general community influences, such as the growth of urban populations", *Final Report of the Expert Committee on Compensation and Betterment*, London, 1942, paragraphs 260 and 276. For completeness, explicit mention might be made of the fact that actions of private households and firms on other parcels might also affect the parcel in question, and so should be included in a definition of betterment.

These and other experiences seem to have produced a consensus that the optimal rate of betterment collection may be around half that to which society is theoretically entitled. The feasible rate is often somewhat lower. In Taiwan, pure betterment levies, called "construction benefit charges," are often reduced from recommended levels of 50 to 70 per cent to 30 or 40 per cent through constituent pressures operating through the Taipei Municipal Assembly. In Australia, where land increment taxation has long been in operation, betterment levies were introduced in New South Wales in 1945 and 1970. The first, at 80 per cent, was never applied largely because the Valuer-General could not determine that the granting of planning permission or other overt public action was in fact the cause of land price increases.⁵ The second applied specifically to land of 'intermediate' worth—neither urbanised nor rural—at 30 per cent, a rate certainly lower than the revenue-maximising rate but potentially high enough to influence land use in the desired directions. The Calcutta Improvement Trust levies a betterment tax of 50 per cent of the annual value increment chiefly on road improvements such as widening.⁶ Unfortunately, little reliable information on the performance of this tax seems to be available.

The ultimate incidence of a betterment levy is bound up with its effects on the quantity supplied of urban land. If landowners had well formed expectations that the tax would be permanent, the burden is likely to fall entirely on the seller. On the other hand, there are two situations where part of the tax might well be passed on to purchasers of developed land. The first occurs when there are widespread expectations that the betterment levy will be repealed (as in Great Britain in 1949-50 and 1968-69) and thus that land prices will be able to resume their unfettered growth. The incentive to delay selling produces a leftward shift of the supply curve. In the second situation, a tax is levied when the land is actually developed instead of when planning permission is granted. In this case the landowner can defer development until the rise in the price of his property compensates for his tax liability.

Taxes on Speculative Gains from Land Sales

Perhaps because land speculation is difficult to define, it is often treated as an unmitigated evil to be eliminated through heavy taxation or other means. This approach seems shortsighted. Just as speculators

⁵L. Hort, *An Introduction to Land Development Contribution Law and Practice in New South Wales*, 1972. I am indebted to Donald G. Hagman for material on the New South Wales experience. It is worth noting that difficulties arose from the separation of value increments on land and not, as many had feared, from assessing land value and building value separately.

⁶For a perceptive overview of urban land policies in India, see Rakesh Mohan, *Indian Thinking and Practice with Urban Property Taxation and Land Policies: A Critical View*, Princeton University, March 1974.

in wheat avert astronomical prices and perhaps famine next year by buying wheat this year and releasing it slowly, speculators in land can help ensure that land develops at an optimal rate over time. In a risk-averse world, as long as there is uncertainty about what the future price of land will be, someone deserves a payment for bearing the risk that not all land will appreciate in value to the expected degree. A land tax should not eliminate speculation but reduce it to socially acceptable levels. What these levels are is largely a political decision that each municipality or central government must make.

Most taxes on speculative gains from the sale of land define speculation in terms of the time period between sales, and are not concerned about establishing intent. A high or even confiscatory rate applies on gains from the sale of land held less than 2 to 7 years in most cases. In the 1963 French tax reforms, gains from the sale of buildable land held less than 5 years are treated as a form of 'commercial profits,' and are thus subject to individual income taxation. In India, gains are similarly added to income and taxed at the ordinary income tax rates. On land held less than 2 years, all of the capital gain is added to income, while on land held 2 years or longer 65 per cent of the gain is added to income. Prior to 1967, Swedish capital gains from land transfers were taxed in full on land held less than 7 years, were not taxed at all on land held 10 years or more, and were taxed at 75, 50 and 25 per cent on land held less than 8, 9 and 10 years respectively. The current system makes the long term withholding of land more costly. Gains from the sale of land held less than 2 years are taxed in full, while land held longer than 2 years is taxed at 75 per cent. This system seems to have fewer undesired effects on the supply of urban land than when the high tax rate period is longer. With the French tax, many landowners simply waited out the 5 year period before selling on the basis of a long term gain.

Improvement Charges

Improvement charges, as distinct from betterment levies, aim to recover for the public authorities the cost of publicly supplied improvements. There is little concern about the relation between these costs and the aggregate benefits to landowners. They may also encourage private improvements on vacant land. From the wide variety of taxes and charges which fall into this category, three have been singled out for special attention: (a) taxes encouraging improvement; (b) equipment charges; and (c) land replotting and readjustment operations.

Taxes Encouraging Improvements—These taxes, for control rather than revenue proposes, are used where ordinary land taxation does not adequately punish vacant land relative to developed land. This may occur if, as in India and other countries, properties are assessed on an annual rental value basis and there is thus no hypothetical rent. Taxes

encouraging improvements have been poor relations among land taxes, but not because they are inherently unworkable. Rates are generally lower than the opportunity cost of improving the land, *i.e.*, the anticipated gain in market value to development in the future rather than now. Moreover, an effective tax encouraging improvements might place significant short term pressure on the building materials and construction labour markets. Assessment problems may also arise. The French vacant land tax (*taxe d'urbanisation*) instituted by the land planning law of 1967 was never put into practice because no one estimate of market value could be relied upon. Finally, and most important, the tax is neutral with respect to the ultimate use of the land. It encourages all productive uses of land equally. This is why many countries have found it advisable to supplement improvement-encouraging taxes with planning mechanisms to control the timing and direction of development.⁷

Equipment Charges—Despite drawbacks such as problems in apportioning costs and benefits and erosion of the tax base through political compromises, the attractiveness of what might generically be termed “equipment charges” is gaining wider attention. France, for example, has traditionally attempted to recoup the cost of publicly provided infrastructure, principally through direct participation by developers. In the early 1960's a forerunner of the current equipment charge was designed to make property owners share in the cost of public works. Insuperable problems arose in its application, however, and it was never put into effect. The base had been severely restricted by the exemption of businesses and industries. More importantly, local authorities continued to prefer financing their investments through levies on developers. The current infrastructure charge (*taxe locale d'équipement*) is levied on the basis of floor area constructed. In widespread use in the late 1960's, the tax is currently less effective because many localities switched back to direct charges on developers beginning in 1971. Equipment charges in France are also levied by a number of public land development agencies. The *Etablissement Public Basse-Seine* in Rouen, in charge of drawing up and applying land use plans in Upper Normandy, receives two thirds of its revenue from a special charge it is empowered to levy on the owners of properties it improves. The other third is earned from land sales.

⁷An interesting variation on this theme is the land Hoarding Charge advocated by the Conservative government in Great Britain in April 1973. A charge of 30 per cent per year would have been levied on properties undeveloped three years or more after having been granted planning permission. The planned impact was of course to increase the supply of serviced sites, although one predictable result would probably have been fewer properties being put up for planning permission. Even before the recent change of government it appeared that the Conservatives would not carry the proposal forward. See “Widening the Choice: the Next Steps in Housing” (Cmnd. 5280, April 1973).

Land Replotting and Readjustment—Another “self-financing” method of land development gaining attention is the land readjustment scheme, most often associated with Korea and Taiwan. Association of landowners or the public authorities themselves undertake projects involving land conversions to more productive uses, amalgamation of parcels, and installation of public facilities on land. In Korea, land readjustment schemes have succeeded in developing large sections of Seoul and other principal cities. According to a complicated formula, landowners cede to the city a portion of their property in return for access roads, sewer mains and water and electricity hookups on the remaining portion. As much as 50 per cent of the land is retained by the municipality to meet its expenses and to increase the supply of sites on which public facilities are provided. Even so, with land price inflation the aggregate value of all remaining private parcels after completion of the readjustment project is typically greater than the pre-project value of the entire area. Therefore, both landowners and the government may see themselves as being better off with these projects than without them.

THE PANOPLY OF EXPERIENCE: AN EMERGING SYNTHESIS

Categorisations of land taxes *qua* instrument would be incomplete without a judgment as to the targets these instruments are designed to reach. At the risk of oversimplification, it may be suggested that land taxes aim to accomplish three major objectives:

- provide revenues for general use by national and especially local governments;
- underwrite the cost of specific public improvements;
- achieve a more equitable distribution of urban real resources.

The redistribution objective is by far the most difficult to evaluate, and the one where the actual and the declared priorities of public authorities may diverge the most. Its impact depends first on whether the percentage of net wealth held in the form of land is large or small. Empirical evidence on this score is very scarce. In developing countries, land holdings may form a significant portion of wealth because of a lack of alternatives. Securities are often uncompetitive with land in embryonic domestic capital markets, and real interest on savings deposits are typically low or negative. Korea in January 1974 instituted stiff measures designed to redistribute wealth away from landowners. At the same time as exemptions from property taxation were increased at the low end of the scale, progressively larger rate increases were levied on high valued properties. The increase in the highest bracket was 2,500 per cent

over the previous rate. Whether this will discourage large holdings or simply invite evasion remains to be seen.

Control of land price inflation through capitalisation of land tax liabilities is a means of attaining land use objectives, not an objective in itself. For example, the redistribution objective will be furthered by reduced land price inflation if landowners tend to have higher than average incomes and if barriers to entry are eased for low income families establishing themselves in urban areas. Poor families may be able to locate closer to centers of employment and thus to incur smaller outlays for transportation. These impacts are extremely difficult to measure, however; the evidence accumulated so far is notional at best.

Compared with income taxes, excise duties and other fiscal tools, land taxes are meager but not insignificant providers of resources to government. As indicated in Table 1 certain land tax revenues have risen over the past five years both in per capita terms and as fractions of GDP. Except for the Taiwan Land Value Tax, collection elasticities of selected land value taxes are greater than unity, as shown in Table 2. All elasticities except the Taipei Land Value Increment Tax were significant at the two-tailed .05 level despite the low number of degrees of freedom.⁸

One must nonetheless conclude that revenue performance has not been very impressive. In the recent past only the two land value levies in Taiwan and the land component of the French property tax brought in more than \$1 per person. Development charges per capita in Singapore did increase fivefold from 1967 to 1971, but from a low initial level. Comparisons on a tax effort basis, using total receipts as a per cent of GDP at current market prices, demonstrate that only the 1972 Taiwan Land Value Tax accounted for as much as one half of one per cent of GDP.⁹

This state of affairs would cause more concern if maximisation of tax receipts were the sole objective of land value taxation. It is not, of course. As Neutze states, land taxation is one of a series of measures to "prevent the (urban land) market from undermining the objectives of urban planning"¹⁰. Betterment levies and land value increment taxes, and

⁸It should be noted that these estimates are highly preliminary and must be treated with great caution. They are based on a small number of years and, because of time pressures, have not yet been corrected for price movements. Since land and building prices typically rise more rapidly than wholesale or retail prices in general (particularly in Korea and Taiwan), these estimates would tend to overstate the true elasticities.

⁹A more robust data base would have permitted these preliminary comparisons to be adjusted for more influences on fiscal capacity than is possible here. To the extent that development charge and betterment levy receipts can be locationally determined, the pattern of receipts could be related to locational differences in per capita income. Comparisons on a per taxpayer basis would also have been useful.

¹⁰G.M. Neutze, "Policy Instruments in the Urban Land Market: Summary Report," paper prepared for the Fifth Meeting of the Urban Environment Sector Group, OECD, November 1973.

TABLE 1 LAND TAX REVENUES AS FRACTIONS OF POPULATION AND GDP

| <i>Tax</i> | <i>Revenue Per Capita (US \$)</i> | <i>Revenue/GPD (Per cent)*</i> |
|--|-----------------------------------|--------------------------------|
| France, land tax ("contribution fonciere des proprietes non baties") | | |
| 1968 | 4.28 | .168 |
| 1973 | 8.95 | .2 |
| Taiwan, Land Value Tax | | |
| 1967 | 0.76 | .3 |
| 1972 | 2.16 | .5 |
| Taiwan, Land Value Increment Tax | | |
| 1967 | 0.16 | .06 |
| 1972 | 1.60 | .3 |
| Singapore, Development Charges | | |
| 1967 | 0.17 | .03 |
| 1971 | 0.84 | .09 |
| Korea, Real Property Speculation Check Tax | | |
| 1968 | 0.005 | .003 |
| 1973† | 0.11 | .03 |

*GDP at market prices.

†Estimate.

SOURCE: Direction Generale des Impots; Dominique Lewandowski and Pierre Bilger, *Note sur la fiscalite fonciere*, Paris, Ministere de l' Economie et des Finances, 1971; Ministry of Finance.

TABLE 2 LAND TAX COLLECTION ELASTICITIES, SELECTED COUNTRIES*

| <i>Country and Tax</i> | <i>Constant Term</i> | <i>Collection Elasticity</i> | <i>-2 R</i> |
|---|----------------------|------------------------------|-------------|
| Korea, Property Tax | -16.1 (-7.9) | 1.65 (12.1) | .97 |
| Korea, Registration Tax | -13.0 (-4.2) | 1.48 (7.2) | .93 |
| Seoul, Property Tax | -13.2 (-4.0) | 1.53 (6.3) | .91 |
| Seoul, Registration Tax | -12.2 (-3.6) | 1.51 (6.1) | .90 |
| Seoul, All Local Land Taxes | -7.0 (-4.5) | 1.19 (10.4) | .96 |
| Seoul, All Land Taxes | -7.6 (-4.6) | 1.26 (10.5) | .96 |
| Taiwan, Land Value Tax | 2.1 (2.0) | .41 (5.0) | .86 |
| Taiwan, Land Value Increment Tax | -10.2 (-1.9) | 1.37 (3.2) | .70 |
| Taipei, Land Value Increment Tax | -4.3 (-1.1) | 1.61 (2.6) | .59 |
| France, Land Value Tax ("Contribution fonciere des proprietes non baties") | -6.4 (-15.5) | 1.01 (33.5) | .99 |

*t-values in parentheses below the coefficients.

all other taxes for that matter, fulfil different and often conflicting objectives at different times. It is often thought desirable for certain taxes to be economically neutral, raising revenue with a minimum of disturbance to the economy. (The practical reality that no tax has ever been neutral across all marginal allocations in no way suggests that the goal is not worth being reached). At the same time, the tax system as a whole functions as a structure of incentives, encouraging desirable resource allocations and discouraging undesirable ones. This disparity of goals arises often in land taxation. An improvement-encouraging tax clearly tries to reallocate resources by punishing vacant land relative to developed land. Yet a tax on incremental value, if calculated correctly and administered fairly, can remove only the 'unearned' increment not due to private production decisions and thus not disturb the marginal investment choice. Similarly, a betterment levy is in part a device to produce revenue for public investment in cases where funds from other sources, in particular the orthodox property tax, may not be found. Yet financing projects through betterment levies can clearly have important allocative effects.

In practice, the justification for taxation of land increments is as much financial and economic as moral. Raising total tax receipts from land can alleviate some of the burden of taxes on capital, stimulating the flow of investment and the development of financial institutions. Moreover, a programme of public works financed by betterment levies or equipment charges tends to reduce uncertainty about the pattern of future growth of the metropolitan area. Private investors might be more willing to commit funds to development projects if they know that a certain volume and type of public expenditure will also be undertaken.

When land policy instruments are viewed in the context of alternative objectives, the range of potentially available tools rather suddenly becomes much wider. Traditional approaches emphasised the contrast between market and non-market controls; between measures influencing the decisions of households and firms (taxation, building code restrictions, zoning) and public investments with specific multiplier effects on the urban economy. One analyst speaks of "a market system approach for the private sector and... an urban land policy approach for the public sector."¹¹ What is emerging in fact is a synthesis in which the urban land market itself is the central variable. Instead of competition between market forces and planning measures, there is a range of public and private decisions affecting the land market and through it the price of land, the distribution of access to urban services among income groups, and the price and availability of housing.

¹¹R.W. Archer, "Urban Land Policy," in *Urban Planning and the Property Market* University College, London, 1971, p. 2.

To take one example, until quite recently few urban economists and planners considered that user charges in public services can have important impacts on the spatial configuration of urban land use.¹² The concentration of values downtown implies that recipients of water, sewerage and drainage installations often pay charges far in excess of the cost of service to them.¹³ The excess of receipts over average incremental cost of supply could be used to finance extensions of water supply and other services at the periphery.

Admittedly, one must guard against what might be termed the 'micro-aggregated' view of urban development, which takes land (or transport or public finance or any other specialisation) as the keystone of an urban system. Yet it would be difficult to argue with the breadth of Archer's definition of urban land policy as "the study of all government policies and programmes affecting the development and use of urban land and the process of policy-making."¹⁴

IMPLICATIONS FOR PROJECT DESIGN: A FINAL NOTE

The foregoing provides a brief typology of urban land control devices, with emphasis on advanced and developing country experience. Another common element, though an obvious one, deserves mention. Land development is typically a discrete process. It tends to be narrowly defined spatially and specific in scope, often radically changing the configuration of the community where it is undertaken. In essence, land development lends itself well to being undertaken on a project basis. The focus of the World Bank and other agencies on the site and services approach to provision of low income housing well illustrates this project approach to the land development process.¹⁵

Consequently, land control instruments must be scrutinised carefully to determine their fit in project contexts. Betterment levies can be used when most or all project benefits are easily measurable and especially when most or all project beneficiaries are readily identifiable. This type of financing is thus best suited to investments in quasi-public goods benefiting particular segments of the population, such as highways, rural feeder roads, sewer systems and street improvements.

¹²Notable exceptions are Paul B. Downing, "User Charges and the Development of Urban Land," *National Tax Journal*, XXVI, December 1973, pp. 631-37; and J.A. Stockfish, "The Outlook for Fees and Service Charges as a Source of Revenue for State and Local Governments, National Tax Association, *Proceedings of Sixtieth Annual Conference*, 1967, Columbus, Ohio, 1968, pp. 86-100.

¹³This is the case, for example, in Sydney. See R.W. Archer, *Site Value Taxation in Central Business District Redevelopment*, Urban Land Institute Research Report No. 19, 1972.

¹⁴R.W. Archer, "Urban Land Policy," *op. cit.*, p.2.

¹⁵This section draws on material contained in Part III of my "Urban Land and Public Policy: Social Appropriation of Betterment", IBRD Working Paper, 1974.

Given the low taxable capacity of cities in developing countries, user fees such as equipment charges are often an attractive and feasible means of project finance. There is consequently the risk that priority will be given to investments in which benefits are localised rather than generalised and the benefits attributable to a small number rather than to the population as a whole. To an extent this is of course true for all development projects, and is one reason why action on projects with significant employment, nutrition and income distribution effects, in which benefits have been more difficult to quantify, has not been as rapid as in other sectors. Nevertheless, availability of finance should not be the overriding factor in the choice of land improvement projects.

In the light of these considerations, land taxation financing (through betterment levies, equipment charges and the like) would seem to be appropriate for projects in which:

- (a) Benefits are great in relation to costs, to minimise resistance. This is often difficult to achieve since revaluation of properties, usually a necessary component of land taxation finance, can constitute a major portion of total project cost;
- (b) Benefit measures account for decreases in land value in areas other than the project site. This "compensation for worsement" is part of the land use control systems of the Netherlands, Sweden and Taiwan;
- (c) Execution of the project and payment of charges to finance the project or to capture benefits are closely associated in time;
- (d) Careful scrutiny is undertaken of projects in jurisdictions where evasion of property taxes reduces revenues significantly. These projects may in fact represent a transfer from those who pay for the improvements to those who had previously evaded other taxes.

This list is certainly not exhaustive, but is intended to highlight certain components of project evaluation. Its coverage can be widened and deepened in the course of further research and project experience.

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HUDCO: A New Dimension in Social Housing Financing

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CONCEPTION

THE QUESTION of setting up a suitable organisation at the Central level to accelerate the housing activity in the country had been under consideration of the government for a number of years. It was felt that the existing arrangements in respect of housing, which was mainly the responsibility of the Housing Boards of the State Government should continue. However, another institution was needed to raise funds for being made available to these and other agencies for undertaking specific additional programmes in order to make a significant impact on the problems of housing, slum clearance, etc. The financing arrangements thought of were that the new institution would raise funds and re-lend at lower rates to State governments and State housing boards, the difference being subsidised by the Central Government. Thus, the government had in view the setting up of a Corporation which would raise funds through long-term loans from nationalised banks and other public financing institutions such as the Unit Trust of India (UTI) and the Life Insurance Corporation (LIC) and that the Corporation would not depend merely on government budgetary assistance. The re-lending at lower rates was specifically emphasised, obviously, in view of the social objective that the Corporation was to serve.

Accordingly, the Housing and Urban Development Corporation Ltd. was set up in April 1970 and was expected to build up, over a period of years, a revolving fund of the order of Rs. 200 crores through governmental allocations, mobilisation of private savings, long-term borrowings from the public financing institutions like the LIC and UTI, etc., and supported to the extent possible, by assistance from international/foreign agencies. It was also expected that loans would be advanced by the Corporation from this Fund to the State housing boards and State

*The views and opinions expressed in this article are personal and not that of the institution to which the author is attached.

governments (or the executing agencies under them) to finance specific projects of housing and urban development which are in a position to make repayments within a reasonable short period. The interest difference between the borrowing and lending operations was to be covered either by Central Government subsidy or by interest earnings on an endowment to be created out of the American Use Portion of PL 480 Funds. The efforts for the setting up of the endowment did not, however, materialise.

It was envisaged that the Corporation would be assisted by the government by share capital contribution and the Corporation would raise the additional resources by borrowing from the financial institutions of the country. Primarily, the Corporation would function as a financing institution. It had been recognised that HUDCO would be giving special emphasis on schemes which are likely to promote the realisation of the social objectives, *i.e.*, schemes which cater to the weaker sections of the country. Its assistance should be clearly project-oriented so that there was no diversion of resources. The order of priority indicated by the Government of India for consideration of projects to be financed from the revolving fund was as follows:

- (a) projects for construction of houses ;
- (b) projects for development of land, both for sale of plots as well as for construction of houses; and
- (c) projects for acquisition and development of land for sale for commercial and housing purposes.

In the context of the resources for the new Corporation, it was also decided that the LIC which was providing financial assistance to the State housing boards should not give loans direct to the housing boards and these should be channelised through Housing and Urban Development Corporation and also the LIC's loans to HUDCO would be to the extent of 50 per cent of the total resources raised by the Corporation in a particular year. It was recognised that the initial concept of raising a corpus of Rs. 200 crores within a short period of 4 to 5 years might perhaps be a little too ambitious and, therefore, the scale of operations for the first few years should be aimed at Rs. 20 crores per year out of which Rs. 10 crores would be contributed by LIC and the balance to be found from other financing institutions and by borrowings on the basis of mortgage bonds carrying a higher rate of interest and by way of share capital contribution or by way of loans from the government.

OBJECTIVES

HUDCO started functioning with the above mentioned basic concepts of its role and functions and set for itself the following main

objectives:

1. to finance or undertake housing and urban development programmes in the country;
2. to finance or undertake, wholly or partly, the setting of new or satellite towns;
3. to subscribe to the debentures and bonds to be issued by the State Housing (and/or Urban Development) Boards, Improvement Trusts, Development Authorities etc., specifically for the purpose of financing housing and urban development programmes;
4. to finance or undertake the setting up of the building material industries ;
5. to administer the moneys received, from time to time, from the Government of India and other sources as grants or otherwise for the purposes of financing or undertaking housing and urban development programmes in the country; and
6. to promote, establish, assist, collaborate and provide consultancy services for the projects of designing and planning of works relating to housing and urban development programmes in India and abroad.

HUDCO OPERATIONS

During its 11 years of existence, (*i.e.*, up to 31.3.1981) it has sanctioned loans aggregating to Rs. 706.41 crores for 1482 schemes (with a project cost of Rs. 1049.71 crores) for construction of nearly 9 lakh dwelling units to provide shelter to over 5.3 million people in 346 cities, (Table 1) towns and hundreds of villages. Various schemes operated by it at present are listed below:

1. Urban Housing
 - (a) Construction of houses/flats
 - (b) Plotted development including site and services.
2. Staff Housing
 - (a) to be allotted to the employees on rental basis.
 - (b) to be sold to the employees on hire-purchase basis.
3. Cooperative Housing
4. Urban Development
5. Manufacturing building materials
6. Commercial
(Development of plots and/or construction of buildings, shops, offices and other community/commercial services).

TABLE 1 INFORMATION SHEET ON HUDCO SANCTIONED SCHEMES
(As on 31.3.81)

| (Rs. in crores) | | | |
|--|--------------|-----------------|---------------|
| Type of Scheme | No. | Loan sanctioned | Percentage |
| 1. Urban Housing Schemes Including Plotted Development | 1,220 | 580.77 | 82.21 |
| 2. Urban Development Schemes | 3 | 0.81 | 0.11 |
| 3. Staff Housing | | | |
| Rental | 76 | 49.39 | 6.99 |
| Hire-Purchase | 8 | 6.17 | 0.87 |
| 4. Coop. Housing | | | |
| Primary | 20 | 5.05 | 0.72 |
| Apex | 9 | 1.28 | 0.18 |
| 5. Site and Services | 31 | 7.46 | 1.06 |
| 6. Rural Housing | 101 | 54.09 | 7.66 |
| 7. Building Material | 14 | 1.39 | 0.20 |
| TOTAL | 1,482 | 706.41 | 100.00 |

OTHER DETAILS

| | Rs. in crores |
|--|---------------|
| 1. Project Cost | — 1049.71 |
| 2. Amount Released | — 405.49 |
| 3. Repayment Received | — 138.51 |
| 4. States | — 18 |
| 5. Union Territories | — 4 |
| 6. Town/Cities Covered | — 346 |
| 7. Schemes for which 1st Instalment released | — 1,200 |
| 8. Schemes for which loan agreement signed | — 1,300 |
| 9. Schemes completed | — 327 |
| 10. Rural Areas Covered | |
| Spread over in the state of A.P., Gujarat, Karnataka, Kerala, M.P., Bihar, Haryana, Punjab and Tamil Nadu and 50 focal points in 12 districts of Punjab. | |

7. Housing by private Builders
8. Rural Housing.

RESOURCE COMPOSITION

In view of consistent growth in its activities, Hudco finances have also registered a phenomenal growth. Starting with an authorised capital of Rs. 10 crores, it has been gradually raised and stands at Rs. 45 crores today. Its capital corpus as on July 31, 1981 amounts to Rs. 274 crores

TABLE 1A STATEWISE STATISTICAL INFORMATION
(As on 31.3.81)

| State/U.T. | No. of schemes | No. of schemes completed | No. of cities covered | Project cost | Loan sanctioned | (Rs. in crores) | | Repayment recd. | Dwellings sanctioned | Plots sanctioned |
|------------------|----------------|--------------------------|-----------------------|--------------|-----------------|-----------------|-------|-----------------|----------------------|---------------------------------|
| | | | | | | | | | | (Residential + Non-Residential) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | |
| Andhra Pradesh | 145 | 11 | 65 | 79.04 | 54.35 | 27.85 | 7.23 | 75,001 | 23 | |
| Assam | 6 | 1 | 19 | 5.53 | 3.85 | 1.15 | 0.12 | 1,796 | — | |
| Bihar | 24 | 2 | 14 | 31.35 | 21.37 | 4.95 | 2.53 | 20,152 | 3,045 | |
| Gujarat | 201 | 52 | 34 | 145.75 | 85.47 | 44.14 | 15.28 | 1,37,035 | 5,346 | |
| Haryana | 65 | 22 | 14 | 40.39 | 29.89 | 22.90 | 8.84 | 21,309 | 109 | |
| Himachal Pradesh | 19 | 5 | 9 | 4.83 | 3.38 | 1.86 | 0.82 | 1,489 | 540 | |
| Jammu & Kashmir | 8 | 1 | 5 | 6.29 | 5.08 | 1.57 | 1.14 | 3,742 | 2,782 | |
| Karnataka | 104 | 9 | 19 | 87.69 | 47.21 | 30.69 | 8.96 | 1,89,502 | 3,575 | |
| Kerala | 56 | 8 | 8 | 65.95 | 40.25 | 22.44 | 3.82 | 1,10,421 | 35 | |
| Madhya Pradesh | 101 | 22 | 22 | 45.25 | 34.55 | 23.10 | 12.67 | 23,307 | 17,425 | |
| Manipur | 1 | — | 1 | 0.17 | 0.11 | — | — | 26 | — | |
| Maharashtra | 112 | 19 | 17 | 95.74 | 62.11 | 32.22 | 12.89 | 50,246 | 1,277 | |
| Orissa | 37 | 9 | 9 | 22.54 | 16.88 | 7.74 | 1.99 | 12,088 | 792 | |
| Punjab | 47 | 10 | 8 | 36.72 | 25.02 | 10.39 | 4.47 | 24,371 | 1,969 | |
| Rajasthan | 112 | 25 | 16 | 67.40 | 49.95 | 34.83 | 11.02 | 38,610 | 2,065 | |
| Tamil Nadu | 219 | 73 | 47 | 98.87 | 69.80 | 50.99 | 11.47 | 60,018 | 6903 | |

(Continued)

(Continued)

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|--------------------------|-------|-----|-----|----------|--------|--------|--------|----------|--------|
| Uttar Pradesh | 149 | 49 | 27 | 122.85 | 89.15 | 53.53 | 18.57 | 73,402 | 15,632 |
| West Bengal | 36 | 4 | 7 | 40.99 | 29.12 | 12.76 | 5.82 | 13,134 | 878 |
| <i>Union Territories</i> | | | | | | | | | |
| Chandigarh | 18 | 2 | 1 | 23.68 | 17.00 | 8.20 | 0.69 | 10,929 | 2,712 |
| Delhi | 17 | 2 | 1 | 27.05 | 20.76 | 14.01 | 10.02 | 13,947 | — |
| Goa, Daman & Diu | 2 | 1 | 1 | 0.21 | 0.11 | 0.07 | 0.06 | 126 | 38 |
| Pondicherry | 3 | — | 1 | 1.42 | 1.00 | 1.00 | 0.10 | 786 | — |
| TOTAL | 1,482 | 327 | 346 | 10,49.71 | 706.41 | 405.49 | 138.51 | 8,81,437 | 65,146 |

consisting of:

| | (Rupees in crores) |
|--|--------------------|
| (a) Share Capital contribution by Government | 42 |
| (b) Term-loans from LIC/GIC* | 104 |
| (c) Other market borrowings | 128 |
| TOTAL | 274 |

In addition, it has generated internal resources of the order of Rs. 28 crores up to March 31, 1981. The yearwise growth of the lending activities and the finances of HUDCO is given in Table 2.

RESOURCE MOBILISATION AND CONSTRAINTS

Equity contribution by the government provides a base for HUDCO to borrow funds from other sources. In fact, the Life Insurance Corporation of India with whom the initial negotiations for raising loans were held was very particular that there has to be a reasonable proportion between the equity capital and the borrowings of the Corporation. Initially, they had prescribed an equity-debt ratio of 1:4 which was later on revised to 1:6 and further revised to 1:8, which is present limit operating. HUDCO's loans from LIC as well as GIC are secured by a floating charge on the present and future property assignments ranking *pari passu*. As far as open market borrowings are concerned, in view of the various difficulties involved in raising funds without a government guarantee such as: (a) non-availability of specific securities to be offered; (b) continuously increasing interest rates for deposits, etc.; (c) tight money market conditions in the country, HUDCO has been able to raise funds through market borrowings, *i.e.*, by issue of debenture bonds mainly on the basis of a government guarantee. However, during the years 1975 and 1976, HUDCO, due to its resource needs floated unsecured debentures of Rs. 10 crores. This type of resource is too difficult to mobilise in the existing money market conditions and is expensive.

Thus, all its market borrowings excepting the above solitary case, has been in the form of government guaranteed debenture bonds. As raising of funds through this method is a part of government's own borrowing programme and policies, HUDCO's borrowing programme each year has necessarily to fit into the government's borrowing programmes and policies and the allocation which it can get out of the

*LIC—Life Insurance Corporation of India.

GIC—General Insurance Corporation of India,

TABLE 2 THE YEARWISE GROWTH OF LENDING ACTIVITIES AND
THE FINANCES OF HUDCO

(Rupees in Crores)

| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | TOTAL |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| OPERATIONS | | | | | | | | | | | | |
| Loan sanctions | — | 34.86 | 36.06 | 33.57 | 37.33 | 54.89 | 72.84 | 88.05 | 108.00 | 139.20 | 161.68 | 706.41 |
| Loan disbursements | — | 5.51 | 7.44 | 13.15 | 22.63 | 35.83 | 40.08 | 48.08 | 65.86 | 77.04 | 89.97 | 406.29 |
| A. Resources raised | | | | | | | | | | | | |
| Equity contribution by Government | 2.00 | 2.00 | 2.00 | — | 1.00 | 2.00 | 4.00 | 3.00 | 4.00 | 5.00 | 8.00 | 33.00 |
| Term loans from LIC | — | — | — | 5.00 | 10.00 | 15.00 | 3.00 | 7.00 | 5.00 | 10.00 | — | 55.00 |
| Term loans from GIC | — | — | — | — | — | — | — | — | 21.00 | 14.25 | 13.75 | 49.00 |
| Market borrowings | | | | | | | | | | | | |
| (Debenture Bonds) | | | | | | 2.75 | 14.85 | 14.97 | 15.00 | 20.00 | 25.00 | 103.07 |
| Secured | — | 5.00 | 5.50 | — | — | — | — | — | — | — | — | — |
| (Debenture Bond) | | | | | | 8.00 | 2.00 | — | — | — | — | 10.00 |
| Unsecured | — | — | — | — | — | — | — | — | — | — | — | — |
| | 2.00 | 7.00 | 7.50 | 5.00 | 11.00 | 27.75 | 23.85 | 24.97 | 45.00 | 49.25 | 46.75 | 250.07 |
| B. Internal resources | | | | | | | | | | | | |
| Repayments by borrowers | — | 0.37 | 2.92 | 6.37 | 6.39 | 11.82 | 15.21 | 18.09 | 17.82 | 23.77 | 36.37 | 139.13 |
| Retained earnings | — | 0.11 | 0.37 | 0.49 | 0.64(-) | 0.17 | 2.34 | 3.31 | 5.15 | 6.82 | 9.40 | 28.46 |
| TOTAL RESOURCES (A+B) | 2.00 | 7.48 | 10.79 | 11.86 | 18.03 | 39.60 | 41.40 | 46.37 | 67.97 | 59.84 | 92.52 | 417.66 |

same. As is well known, due to over-riding needs of fuel, fertiliser, food, etc., allocation to housing sector are always limited. Because of this, financing institutions like HUDCO have to use a high level of finance expertise to help it recycle the limited funds available. HUDCO has done it fairly successfully as is obvious from the fact that at any point of time, repayments to HUDCO on its earlier loan releases are about one-third of its total releases. This has helped HUDCO to release as on July 31, 1981 Rs. 433 crores as against Rs. 302 crores mobilised by it [including its reserves (retained earnings) of Rs. 28 crores].

The term-loans from LIC and GIC to HUDCO are not on soft term basis. Initially, the LIC lent just Rs. 10 crores (in the year 1973-74) at an interest rate of $7\frac{1}{2}$ per cent per annum and repayable in 15 years with a moratorium of 12 years. In all its subsequent lendings it raised the interest rate to $10\frac{1}{2}$ per cent per annum repayable in 15 years but with a reduced moratorium of 10 years. For the latest loan under negotiation, it has further reduced the moratorium period to 5 years. As HUDCO's operations are socially oriented, it allows repayment periods extending up to 20 years for economically weaker section group housing and 15 years for low income group housing, which both put together constitute 55 per cent of its total lendings. The LIC's decision to reduce the moratorium period would, therefore, have adverse effect on HUDCO's finance. The GIC lends on the same terms as LIC and so the borrowings from GIC also are on the same difficult terms.

HUDCO is also making efforts to seek international assistance from agencies like World Bank, National governments, etc. This is likely to take time and in any case it will form part of the planned programme for HUDCO.

FINANCING SOCIAL HOUSING

In our planning process housing receives relatively a low priority in view of the pressing needs of the priority sector. There is also, perhaps, some belief that the productivity of investment in housing is low and, therefore, the capital-output ratio is high. However, both these beliefs perhaps stand on vulnerable grounds. There is necessity to think that more funds should be invested in housing because such process indirectly helps in raising productivity in general and labour productivity in particular. Housing can no longer be regarded as purely an economic issue. Housing in our country is employment generating. Around 30 per cent of the housing cost is on wages. According to a publication of the National Buildings Organisation*, Rs. 100 crores of investment in building construction will provide direct employment to .72 lakh skilled and

* *Prominent Facts on Housing in India, 1979.*

unskilled labour and indirect employment in building materials and supporting industries to 1.15 lakh persons. There is, perhaps, a need to recognise the social benefits and not allow it to be a victim of capital-output ratio conceived in money terms rather than cost-benefit ratio measured in social terms.

It is necessary that the investment made in public sector housing should reach the poorer sections and resources committed to the provision of housing for people in Low Income Groups and Economically Weaker Sections really benefit these people. About 90 per cent of the people in our cities belong to households with a monthly income of not more than Rs. 600. About 75 per cent of these households earn below Rs. 350 p.m. At least half of the latter group live on a monthly household income below Rs. 200 p.m. Public housing programmes must, therefore, cater to these classes at a cost which they can afford. Otherwise the dwellings provided will eventually be taken by people in higher income brackets. The experience in the country in the social housing sector has shown that there is too much emphasis in these programmes on standards of houses, in terms of the size of the houses as well as the nature of construction of houses together with notions of planning which has no relevance to the actual social needs. At such standards and limited resources, no appreciable volume of house construction can be undertaken to meet the needs of the vast low income families.

It is necessary that local laws and regulations are expeditiously dovetailed to the following:

- (i) Standards in human settlements that are needed to regulate the growth of new settlements;
- (ii) Standards in human settlements that are required for the upgrading of existing human settlements; and
- (iii) Standards in human settlements that are intended for the maintenance and rehabilitation of human settlements.

It needs to be emphasised that unless implementation of minimum standards is ensured, hardly any useful purpose would be served in formulating the standards. It is also necessary to devise a satisfactory system for upgrading as well as up-dating the minimum standards, so as to help keep pace with socio-economic development programmes. While setting standards it must be remembered that most shelters would have to be provided by the people themselves, as the economy is unable to allocate enough resources to provide shelter with requisite infrastructure services.

The key to success in housing the poor—both quantitatively and qualitatively, *i.e.*, in sheltering the millions and providing need based,

appropriate houses—lies in increasing the potential client's access to housing components and building materials, finance and services. Therefore, the legal administrative and institutional framework within which all housing action is presently confined needs to undergo a radical restructuring. If the emphasis is shifted from delivering finished products to facilitating people's actions in building and improving houses, then the coverage capacity of the existing organisations will multiply manifold and the problem will begin to look manageable. The community recognition and social service side are still weak. Many people have not thought about the implications of creating instant communities with no attention to their internal organisation or to community participation in the maintenance of the physical improvements. Housing programmes based upon the recognition and appreciation of people's housing would allow to make improvement both in housing and in development. The housing process, for example, can help people to build cooperation and strong communities. Working together through every phase of a housing programme is a valuable group building and problem solving process which ends with a concrete shared product. Approached this way, housing can start a development chain reaction where people begin to deal with their other needs as well as housing needs and realise they can do so.*

Some of the surveys conducted by HUDCO (prior to introduction of ceilings on housing cost to be financed by it) had shown that 73 per cent of the houses that cost about Rs. 8,000 meant for Economically Weaker Section were in reality occupied by Low Income Group families. Low Income Group and even Middle Income Group families occupied about 90 per cent of the Economically Weaker Section houses that cost about Rs. 10,000. In such situations subsidies, even if provided, would prove to be a misapplication of funds. It would be far more better to build houses within the paying capacity of these poor people and use the available funds for building more of such houses.

A family which lives on Rs. 350 monthly income can hardly pay Rs. 35 for shelter. Given a 20 year hire-purchase terms and even the very low interest rate of 5 per cent (HUDCO terms) this places Rs. 5,000 limit on the cost of houses for the Economically Weaker Section. But, obviously, we have to build houses of Rs. 3,000 and Rs. 4,000 too, for families who live on incomes of Rs. 200 to Rs. 300 per month. There has to be a similar range of prices for households in Lower Income Group. However, previously there was no overwhelming emphasis on affordability as a criterion for financing housing projects. Tenements costing as high as Rs. 15,000 were built for the poorest, i.e., economically weaker sections. Obviously, at these costs no EWS household could

*H.U. Bijlani, *Human Settlement Planning in India*.

afford to have a house. Surely, allottees of such tenements either overstated or under-stated their income depending upon the need, when they declared their income or they would sooner or later default in their hire-purchase payments. This conclusion was clearly demonstrated by a World Bank Study which indicated that over 63 per cent of our people in metropolitan cities could not afford the cheapest houses available.

Building low cost human settlements within the reach of the poor people for whom these are intended is possible only if finance is available at cheap interest rates and with longer amortisation periods. Each economic system has its capacity to lend on soft term basis. Indian economy is still not at a stage when a family can have a house with a very long repayment period and low interest rate so as to make the monthly instalments as low as possible and affordable as other economies, mainly developed ones, have been able to do. Unfortunately, due to the prevailing economic conditions in our country, such a soft term lending for housing is difficult to arrange. The soft term loans are available in some of the countries like Austria, Denmark, France, Switzerland, Finland, U.K. and USSR, where the repayment period varies from 25 years at minimum in Switzerland to 100 years at maximum in USSR and Austria. As regards interest rates, these are as low as 0.2 per cent in Hungary and Poland; 1 to 1.5 per cent in Yugoslavia, Austria, etc. Even amongst the developing countries, the rate of interest is 2 per cent in Ceylon, Indonesia, Jamaica and 1.5 per cent in UAR (for rural houses).

The prevailing lending rates and terms in our country for house building definitely cannot be said to be on soft terms.

Apart from HUDCO, the main sources at present available for housing finance are: (i) The Life Insurance Corporation of India, (ii) State Apex Cooperative Housing Societies, and (iii) Housing Development Finance Corporation (in Private Sector). Lending by the commercial banks for housing is on a very restrictive scale and is subject to certain directives of the Reserve Bank of India. Of these, the lending terms of HUDCO can be said to be most liberal particularly for low cost housing. The interest rates charged and the repayment terms allowed by it are:

| <i>Category</i> | <i>Household Income Range</i> | <i>Interest Rate (Net)</i> | <i>Repayment Period</i> |
|--|-----------------------------------|-------------------------------------|-----------------------------|
| Economically Weaker Section (E.W.S.) | Up to Rs. 350 p.m. | 4 per cent for site and services | 20 years |
| | | 5 per cent for houses/flats | |

| <i>Category</i> | <i>Household Income Range</i> | <i>Interest Rate (Net)</i> | <i>Repayment Period</i> |
|------------------------------|-----------------------------------|---|-----------------------------|
| Lower Income Group (L.I.G.) | From Rs. 351 p.m. to Rs. 600 p.m. | 7 per cent | 15 years |
| Middle Income Group (M.I.G.) | From Rs. 601 to Rs. 1,500 p.m. | 9.5 per cent for houses costing up to Rs. 25,000 and 10.5 per cent for houses costing above Rs. 25,000 and below Rs. 42,000 | 12 years |
| Higher Income Group (H.I.G.) | Above Rs. 1,500 p.m. | 11.5 per cent | 10 years |

In order to ensure that the cost of houses built are within the paying capacity of the relevant income category group, HUDCO finances the housing projects on the above mentioned terms only if the houses are built within the cost ceilings as indicated below:

| <i>Income category</i> | <i>Maximum all-inclusive cost per dwelling unit</i> |
|------------------------|---|
| E.W.S | Rs. 8,000 |
| L.I.G. | Rs. 18,000 |
| M.I.G. | Rs. 42,000 |
| H.I.G. | Rs. 1,00,000 |

The all-inclusive cost consists of cost of land, development, construction, administrative and supervision charges, interest (capitalised) during construction.

For rural housing which is meant for EWS only, the cost limit is Rs. 4,000 (exclusive of land cost). The rate of interest remains at 5 per cent. As the rural housing scheme of HUDCO is for supplementing the States' plans, only 50 per cent of the cost is financed.

HUDCO had to think of the cost ceilings primarily because houses built under many of the housing projects were found to be much beyond the paying capacities of the relevant income groups for whom ostensibly the houses were constructed and as mentioned earlier, the result was that such high unit cost houses were being cornered by people in the next higher income brackets. This policy of cost ceilings for the dwelling units further helped in producing larger number of dwelling units and thus providing shelter to more households within the same amount of invest-

ment. It meant optimum utilisation of the available resources and thus getting maximum benefit in the shelter programme. In fixing the differential interest rates as well as the cost ceilings, due consideration was given to the maximum paying capacity of the household in the relevant income group. Thus, by and large, this policy was evolved to ensure benefits of social housing accruing to the persons for whom it was intended. It is significant to note that 88 per cent of dwellings covered by projects financed by HUDCO are meant for households belonging to EWS and LIG.

The interest rates of LIC and the Apex cooperative housing societies are in the range of 8.5 per cent to 15 per cent. The private sector unit, *viz.*, HDFC at present charges from 12 per cent to 15 per cent. Due to credit squeeze, there was practically no lending by commercial banks for housing but whatever little lending was done by them, was at commercial rates of interest. However, recently the R.B.I. has issued certain guidelines for extending bank credit for housing under certain restricted conditions. These conditions include financing up to 50 per cent of the houses at interest rate of 12 per cent for loans up to Rs. 5,000, 13 per cent for loans between Rs. 5,000 and Rs. 50,000 and 15 per cent for loans above Rs. 50,000. However, for loans to scheduled castes and scheduled tribes people the interest rate to be charged is 4 per cent only for loans up to Rs. 5,000; the loan amount not exceeding 80 per cent of the total cost.

A large portion of the funds raised by HUDCO is from LIC/GIC which charge an interest rate of 11 per cent with a rebate of $\frac{1}{2}$ per cent for prompt payment. The present interest rate on government guaranteed debentures is $6\frac{3}{4}$ per cent and unsecured debentures issued by HUDCO carry an interest rate of $10\frac{1}{4}$ per cent. In accordance with the stipulation made by the government its funds are earmarked for lending as follows:

| | | |
|-----------------------|---|--|
| E.W.S. | — | 30 per cent (includes 15 per cent for rural housing) |
| L.I.G. | — | 25 per cent |
| M.I.G. | — | 20 per cent |
| H.I.G. and Commercial | — | 20 per cent |

On the basis of the allocation of funds and differential interest rates at which HUDCO finances the various schemes, its average earning rate works out to about 8 per cent. In order to meet the interest losses on account of borrowing at high rates and lending at low rates and also service charges, Government of India has been granting suitable subsidy to HUDCO. In the absence of such a subsidy HUDCO would be in a

dilemma as to how to provide loans at liberal terms in order to lessen the burden on the beneficiaries of economically weaker section and low income group housing.

State Housing Boards and other public housing agencies are mainly dependent on HUDCO for their housing programmes. In pursuance of its social objective, HUDCO lends at differential interest rates for houses to be built within the prescribed cost ceilings for different income groups. It discourages building of higher unit cost houses by reducing the financial assistance for houses costing above Rs. 5,000. While 100 per cent finance is made available if the cost of the dwelling unit is within Rs. 5,000, a graded scale of financing is applied if it exceeds Rs. 5,000; the financial assistance getting reduced as the unit cost increases. Table 3 gives the details thereof. In a way, this policy has also enabled mopping up of private savings of those who can afford higher unit cost houses as the housing agencies generally recover a major part of the difference between the project cost and HUDCO's loan assistance from the prospective allottees. But, a disquieting factor causing concern to HUDCO is the tendency to build houses at either the cost ceilings or nearer to it. Such projects often result in bursting the ceiling costs. Since the saving capacity is getting adversely affected due to raising prices of essential commodities, mainly food and cloth, HUDCO is making efforts to infuse an awareness in the housing agencies to avoid the tendency to build houses either at the ceiling costs or almost nearer to it.

The continuous rising price levels particularly in the cost of land and building materials is, however, a major problem to reckon with in the implementation of low cost housing projects and in pursuing the above mentioned policies. It is becoming increasingly difficult for the formulation of the housing projects for construction of cheap houses for the poorer sections due to inflationary conditions. Nevertheless, in addition to pursuing of these policies which help in promoting low cost housing, HUDCO has built up over 11 years of its existence, necessary expertise for dealing with large scale housing programmes for the poor and also coordinate research and development efforts of various institutions for application in low cost housing. It also conducts prize competitions every year for designing of low cost housing both for urban and rural areas and also use of cheap and locally available building materials. Implementing the housing plan today calls for a particularly flexible attitude on the part of housing planners. They need to innovate in regard to specifications, adopt realistic standards, new techniques, cheap materials especially local ones. To a modest extent, HUDCO has tried to foster these attitudes. Its efforts to evolve realistic standards got support from the Housing Ministers' Conference held at Bhopal which emphasised that a supplementary section on the subject of

TABLE 3 EXTENT OF HUDCO'S FINANCE AT DIFFERENT COSTS

| <i>All inclusive cost per unit (Rs.)</i> | <i>Maximum loan (Rs.)</i> | <i>All inclusive cost per unit (Rs.)</i> | <i>Maximum loan (Rs.)</i> | <i>All inclusive cost per unit (Rs.)</i> | <i>Maximum loan (Rs.)</i> |
|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|
| Up to 5,000 | 100% | 33,000 | 23,200 | 65,000 | 42,400 |
| 6,000 | 5,500 | 34,000 | 23,800 | 66,000 | 43,000 |
| 7,000 | 6,200 | 35,000 | 24,400 | 67,000 | 43,500 |
| 8,000 | 6,900 | 36,000 | 25,000 | 68,000 | 44,000 |
| 9,000 | 7,600 | 37,000 | 25,600 | 69,000 | 44,500 |
| 10,000 | 8,300 | 38,000 | 26,200 | 70,000 | 45,000 |
| 11,000 | 9,000 | 39,000 | 26,800 | 71,000 | 45,500 |
| 12,000 | 9,700 | 40,000 | 27,400 | 72,000 | 46,000 |
| 13,000 | 10,400 | 41,000 | 28,000 | 73,000 | 46,500 |
| 14,000 | 11,100 | 42,000 | 28,600 | 74,000 | 47,000 |
| 15,000 | 11,800 | 43,000 | 29,200 | 75,000 | 47,500 |
| 16,000 | 12,500 | 44,000 | 29,800 | 76,000 | 48,000 |
| 17,000 | 13,200 | 45,000 | 30,400 | 77,000 | 48,500 |
| 18,000 | 13,900 | 46,000 | 31,000 | 78,000 | 49,000 |
| 19,000 | 14,600 | 47,000 | 31,600 | 79,000 | 49,500 |
| 20,000 | 15,300 | 48,000 | 32,200 | 80,000 | 50,000 |
| 21,000 | 16,000 | 49,000 | 32,800 | 81,000 | 50,500 |
| 22,000 | 16,600 | 50,000 | 33,400 | 82,000 | 51,000 |
| 23,000 | 17,200 | 51,000 | 34,000 | 83,000 | 51,500 |
| 24,000 | 17,800 | 52,000 | 34,600 | 84,000 | 52,000 |
| 25,000 | 18,400 | 53,000 | 35,200 | 85,000 | 52,500 |
| 26,000 | 19,000 | 54,000 | 35,800 | 86,000 | 53,000 |
| 27,000 | 19,600 | 55,000 | 36,400 | 87,000 | 53,500 |
| 28,000 | 20,200 | 56,000 | 37,000 | 88,000 | 54,000 |
| 29,000 | 20,800 | 57,000 | 37,600 | 89,000 | 54,500 |
| 30,000 | 21,400 | 58,000 | 38,200 | 90,000 | 55,000 |
| 31,000 | 22,000 | 59,000 | 38,800 | 91,000 | 55,500 |
| 32,000 | 22,600 | 60,000 | 39,400 | 92,000 | 56,000 |
| | | 61,000 | 40,000 | 93,000 | 56,500 |
| | | 62,000 | 40,600 | 94,000 | 57,000 |
| | | 63,000 | 41,200 | 95,000 | 57,500 |
| | | 64,000 | 41,800 | 96,000 | 58,000 |
| | | | | 97,000 | 58,500 |
| | | | | 98,000 | 59,000 |
| | | | | 99,000 | 59,500 |
| | | | | 1,00,000 | 60,000 |

NOTE: 50 per cent of the cost exceeding multiples of a thousand will also be allowed as loan, in addition. For example, for a dwelling unit costing Rs. 15,900 the loan will be:

For first Rs. 15,000 the loan admissible Rs. 11,800 (as in table above)
 For next Rs. 900 the loan admissible Rs. 450 (50% of Rs. 900)

Total Loan admissible

Rs. 12,250

low cost housing be added to the National Building Code to facilitate housing for the poor. HUDCO was actively engaged in collaboration with Indian Standards Institution in this effort. All these efforts are aimed to provide houses in a clean environment and within the abilities of the poor sections of the society.

HUDCO AND BORROWING AGENCIES

Major borrowers of HUDCO are the State Housing Boards and Development Authorities. Although HUDCO has laid down clear guidelines, prescribed formats for loan applications, releases, progress reports and completion reports, due to the nature of the working of these State Agencies, HUDCO found that a number of agencies for many reasons are still not in a position to formulate and execute schemes with the desired speed. In order to ensure that all the borrowing agencies get adequate experience in this regard, HUDCO sends its own officers to the States for on-the-spot discussion of the matters and also helps the representatives of the borrowing agencies to draw up the schemes and prepare other documents when they visit HUDCO's office. HUDCO also conducts workshops to impart necessary knowledge in this regard to the executives of the housing agencies.

HUDCO also appraises infrastructure available with the State Housing agencies for the execution of the various housing projects and also the financial performance of its regular borrowing agencies periodically. This continuous process of appraisal of the agencies is done with a view to improve the working and performance of the agencies so that the housing projects are implemented successfully and the follow up action necessary for servicing the allotments, recoveries of dues, etc., is done with promptness and due importance. HUDCO has been making vigorous efforts to persuade the Housing Boards and other State agencies to prepare their accounts on commercial lines and also improve their position with regard to recoveries of outstanding dues, reduction in administrative cost, etc. These agencies, barring a few, were maintaining their accounts on cash basis on the governmental pattern. A majority of them have either changed their Accounting pattern or have started preparing proforma accounts on commercial lines. The preparation of accounts on commercial pattern would enable the housing agencies to know clearly and realistically the results of their operations (surpluses and deficits) as well as their assets and liabilities, extent of unrecovered dues, etc. A financing institution like HUDCO will be able to get essential financial information readily to assess the results of the operations of these agencies and suggest improvement wherever necessary after reviewing the accounts. The reviews of the financial performance of the housing agencies prepared periodically are also put up to the Board of

Directors of HUDCO and any disquieting features are taken into account before sanctioning the loans.

Many a time the borrowing agencies are unable to draw money as scheduled, as the projects frequently run into time over-runs. This could be due to problems of encroachments on land, shortage of building materials, particularly cement, etc. At times this affects the cash planning of HUDCO as it cannot afford not to be ready with funds for the applications received as per the stipulated programmes. It gets into a dilemma in such a situation. As it has to arrange fund in advance, large scale short-drawals by the borrowing agencies would result in funds being blocked in banks or low-yielding short-term investments. This obviously causes some loss to HUDCO. If on the other hand it is not ready with adequate funds it has to starve the agencies at the crucial junctures thus jeopardising the speedy and timely completion of projects. It has, therefore, to strike a balance and adopt strategies to ensure minimisation of losses on this account and at the same time not affect the progress of the projects financed. The position of short-drawals is reviewed continuously and full details of such short-drawals are sent to the Chief Executives of the agencies concerned to enable them to review the position and take suitable measures for gearing up the programme of works and the process of applying for loan releases. An opportunity is also taken to discuss these problems at the highest level (*i.e.*, at the level of Government/Housing Minister/Chief Minister) whenever the Chairman and Managing Director and top management officials visit the concerned States.

SUM-UP

Considering the housing shortage of 20 million units, the results of the efforts of HUDCO may look small but it has all the same made a significant impact in promoting low cost housing programmes which otherwise had not received much attention. The impact particularly has been on:

- (i) providing affordable dwellings;
- (ii) strengthening organisational channels for implementation of housing projects in States;
- (iii) institution of high level accounting standards of the housing agencies at local levels;
- (iv) resource mobilisation, recycling of funds and optimum utilisation of available resources for increasing the housing stock;
- (v) providing of 'techno-finance' facility for housing.

HUDCO hopes to further its goals in its future plans and has a pro-

gramme of sanctioning loans to the extent of Rs. 1,055 crores during the Sixth Five-Year Plan (1980-85) which would result in building of 1.2 million dwellings and help provide shelter to about 9 million people at amortisation terms that these people can afford. In drawing up its perspective plans, HUDCO has been aiming at a growth rate of 20 per cent in its loan sanctions from year to year. The success of its plans and policies will be the success of affordable housing programme in India.



Financing Housing by Commercial Banks

ODEYAR D. HEGGADE

FINANCING THE development of social sectors like education, health, nutrition and housing has been very ticklish and intricate in all developing economies. This is so because of the non-market conditions of these social sectors. Added to this, in every less developed economy like India the problem of financing economic and social development is made complicated further, by the fact that there is the vital issue of trade-off between the objectives of economic growth and minimum needs. Moreover, the low yield and higher profitability prevailing in alternative directly productive activities make the private capital very shy towards social sectors on the one hand, and on the other, about half of our population is still living under poverty line even after three decades of planning in the country.

Thus, since early 1970's increasing emphasis has been laid upon 'somehow'¹ reconciling the contradicting objectives of economic policy, viz., higher economic growth and social justice. The fourteen then leading Commercial Banks were nationalised in June 1969 to serve the causes of rapid growth and ensuring more and more redistributive justice for weaker sections. In continuance of these objectives, further six more big banks were nationalised in early 1980 to strengthen the base of public sector banking. In slightly more than a decade of the working of public sector banks in India, there has been certain definite shifts in their operations which are conducive for promoting development and phased removal of poverty, as well as for increasing institutional finance to be made available for growth of social sectors.

Therefore, the public sector banks have gradually stepped into the

¹The word 'somehow' denotes the early uncertainty and vagueness which was there in Indian planning about the nature of reconciliation between economic growth and social justice. Since Fourth Five Year Plan certain definite programmes like MFLA SFDA, Rural Employment programmes, Bank Lending for Weaker Sections, Sub-plans for Tribal, Hill and Desert Areas, etc., being implemented are instances of such reconciliation. This process shall be further strengthened because the beginning is just on.

field of financing education, health and housing. Hence an effort is made in this paper to analyse the nature of 'Housing Finance' provided by public sector banks and also to suggest the ways and means of making them to play a more socially purposive role in the development of 'Housing Sector' which is an undeveloped component of our economy.

HOUSING PROBLEM AND NEED FOR BANK FINANCING

Housing as a form of economic activity remains as the most under-developed and underinvested sector of all national economies around the globe. The position in this regard is still worse in developing countries, inclusive of India.

The housing problem is a universal issue. It is in existence in both MDC's and LDC's. But the nature and magnitude of it, differs from country to country, among the developing as well as the developed world.

The housing problem in developed countries is due to increasing rapid urbanisation, meagre funds from commercial banks for house construction industry, inadequate finances for conservation and improvement of housing stock, etc. Further the concept of 'adequate descent housing changing very fast in MDC's will make the problem more qualitative, leaving the gap between current house supply and ever growing demand. On the other hand, the housing problem is very acute in LDC's due to the almost non-existence of private profit motivated capital in residential construction, growing pressure of population, increasing 'urban explosion' caused by rural immigrants to the urban areas, lack of adequate institutional agencies, and the ever growing staggering numbers of those who live below poverty line, etc. Moreover, a large number of LDC's have not been able to formulate a national housing policy.

The following paragraphs amply show the nature and magnitude of housing in the world and its glaring position in developing countries.

...the world wide increase in households and the replacement of dwelling units will require the building of 1.1 to 1.4 billion housing units before the end of this century or averaging the high and low estimates of 1.25 billion.²

...The less developed nations would require nearly one billion of the world total of 1.25 billion units. The developed areas, including the USSR, which currently produces about 8.75 million units annually could meet the U.N. target of 307.5 million units at

²U.N., Magnitude of the Housing Problems; Houses, Building and Planning—Problems and Priorities in Human Settlements; Report of the Secretary General; A/8034 New York, 1970; Quoted by Leland S. Burns and Grebler, Leo, *The Housing of Nations: Analysis and Policy in a Comparative Framework*, Macmillan, London, 1977, p.12.

present output levels in 35 years....³

The problem appears still more acute and formidable viewed from the supply position of houses to the estimated demand (stated above). Observe the following two statements: "At the present production level of 14.5 million, the need can be met in 80 or 90 years, but not in 25. Put another way, world housing production would have to be more than tripled to an annual output of 50 million units to meet the U.N. target."⁴

In contrast, it would take the LDC's 167 years to meet the estimated requirement of 969 million units at their present production levels of less than 6 million. To attain the goal at the turn of the century could necessitate boosting yearly output by a factor of 6.7.⁵

The above citations clearly reveal the need for massive investment in this important social sector, *viz.*, housing throughout the world. In this herculean task of mobilising large funds for housing the commercial banks must play a major role. The increasing role of commercial banks in lending to housing is relatively more easy in MDC's rather than in LDC's because of the reasons well known to us, *viz.*, banks in MDC's are more organised and widely spread, relatively more efficient and innovative with their large resource base than their counterparts in developing countries.

The housing problem in India is both quantitative and qualitative. It is both rural as well as urban. In its quantitative dimension, the problem represents the lag, in supply of dwelling units in relation to its demand. On the other hand, in its qualitative dimension, it represents the elephant sized, very herculean task, *viz.*, conservation and improvement of the existing housing stock in the country. Hence there is a need for massive investment in residential housing activity. For poor, developing economies like India this is an uphill task. But looking into the dimensions of the housing problem and the amount of distortions it may create, left unresolved now, at some future date, socially and economically it will be most alarming. Thus various kinds of financial institutions have been pressed to the task of financing housing in India over the period of last 30 years. However, the success achieved is very negligible, particularly between 1950-60. Some beginning of course, through definite plans of housing has been made on an increasing scale since 1960's. This is apparent and mostly inevitable in the initial stages of economic development of a country like India, which is undergoing total

³Calculated by Burns Leland S. and Grebler Leo, *op. cit.*, on the basis of Compendium of Housing Statistics, 1971, U.N., New York.

⁴Burns Leland S. and Grebler Leo, *op. cit.*, p. 12.

⁵*Ibid.*, p. 12.

transformation. But, at the same time, India and such other LDC's "still have a relatively high degree of freedom in selecting strategies that seek to optimize housing progress within the ever-present constraints of limited resources and competing needs."⁶ Therefore, it is high time we deal with the 'Problems of Housing,' in particular with 'housing finance' more judiciously. In this connection the role of public sector banks in housing finance occupies a very pivotal place.

Under plans through central and state sector, a number of housing schemes have been financed. Similarly, the private investment in housing has also increased considerably through plans. But, however, the planned investment in housing hitherto appears to be very little in relation to actual requirements. Thus, there is a need for developing a housing finance market which could function on a self-sustained path. It is in this regard that the financial intermediaries, in particular the commercial banks, can play a substantial role in developing the housing finance market in India.

The homeless population in India is growing year after year. There is no reliable statistics regarding the housing deficiencies in the country. The Draft Plan (Revised 1978-83) states that the, "Housing shortage at the beginning of the Fifth Five Year Plan was estimated at 15.6 million housing units—11.8 million in rural areas and 3.8 million in urban areas—reckoning the requirement at a minimum acceptable standard of housing."⁷ Further the Draft Plan also reckons the increasing housing inadequacies because of lack of social infrastructure as well as growing pressure of population in the country.

The present Sixth Plan proposes to tackle the housing problem by constructing new dwelling units so as to meet: "(a) the requirement of additional households due to growth of population; (b) the replacement of those dwelling units which have become unfit for occupation; and (c) to wipe out the existing backlog."⁸ To realise these objectives for the nation as a whole, there shall be massive investment in the housing sector. The same Draft plan further observes that "...according to a recent study, involve an investment of the order of Rs. 97,755 crores—Rs. 64,855 crores on urban housing and Rs. 32,900 crores on rural housing, involving construction/improvement of 33.20 million units in urban areas and 97.00 million in rural areas. For the quinquennium 1978-83 it has suggested an outlay of Rs. 12,955 crores—Rs. 9,455 crores on urban housing and Rs. 3,500 crores on rural housing, yielding 5.70 million units in urban areas and Rs. 2,690 in rural areas."⁹ These

⁶Burns, Lelands S. and Grebler Leo, *op. cit.*, p. 3.

⁷Draft Five Year Plan (Revised 1978-83); GOI, Planning Commission, New Delhi, p. 451.

⁸*Ibid.*, p. 452.

⁹*Ibid.*

targets are sought to be realised by way of curbing immigrants to urban areas, promotion of low cost housing, and bringing changes in 'site and services' policy and promoting savings for house construction etc. While emphasising the promotion of savings for house construction, the Draft Plan talks of "providing stimulus and support for private housing, especially in the middle and lower income groups, so as to channel increased savings into housing. This will have to be accompanied by steps necessary for decreasing the cost of urban land. The present ratio—4 units of private sector housing to 1 in the public sector—will have to go up."¹⁰ This implies that the government takes active participation in the next few years in house building activities by initiating monetary, fiscal as well as real measures to promote savings of middle and lower income groups as well as assist their efforts to build their own houses by bringing down urban land cost. This is the very vital policy of the government which should be implemented with all sincerity. This in turn necessitates the entry of financial institutions on large scale into the field of housing finance.

The greater role which financial institutions have to play in the next few decades in financing housing is also warranted because:

House construction fits in well with the pattern of activities to which priority will be given in the next two decades, not only because it meets a basic need but, given the application of appropriate technologies, also because it creates employment on a massive scale, increases the much needed purchasing power in the hands of lower income groups and strengthens decentralisation."¹¹

Therefore, the financial intermediaries, in particular, the public sector banks shall be used for the purpose of financing house building activities in India.

COMMERCIAL BANKS AND HOUSING FINANCE IN INDIA— PAST EXPERIENCE

A new era of 'social or innovative banking' emerged in India during the decade 1969-79. It is being carried on further to realise social objectives entrusted to them on the eve of their nationalisation (1969).

Financing priority sectors, rendering financial assistance for weaker sections, promotion of employment generation and assisting planned growth in the country are some of the vital areas of public

¹⁰Draft Five Year Plan *op. cit.*, p. 451.

¹¹*Ibid.*

sector banks lending, having greater bearing on socio-economic development during 1970's. The creative rural banking, lending on the basis of economic viability rather than any security, village adoption and lead bank schemes, etc., are some of the radical changes brought into the functioning of Indian Banking System in the last decade, which have transformed their operations from 'class banking' to 'mass banking'.

The public sector banks in India provide direct as well as indirect finances for house construction activities. The commercial banks in India entered the arena of housing finance only after the herald of public sector banking (1969).

The direct finance provided by banks for housing comprise of loans to individuals, and institutions. The loans are given by them to institutions like Central and State Government undertakings, housing boards and local development authorities, cooperative housing societies, etc., which are engaged in house building activity; either as primary and/or subsidiary function. The indirect finance provided by public sector banks originate in the form of loans and advances in response to certain types of deposits accumulated by them. At present banks in India have two important 'deposit schemes linked with housing loans and advances'. One is 'Save A Rupee A Day' deposit scheme offered by some public sector banks in certain states like Tamil Nadu, Maharashtra and Gujarat in collaboration with the respective state Housing Boards. This is a scheme meant for weaker sections. Under this scheme by the end of each month the collected money proceeds is credited to the concerned individual's account with the State Housing Boards (SHBs). The concerned sponsoring bank of this scheme will provide a three times loan based on the deposit money along with interest accrued on it to SHB's for building houses for weaker sections. The house loan provided by banks is linked to the deposits, size and the period of maturity, etc.,. Usually this type of deposit scheme linked with the assured source of loan for house construction tends to range from 15 months to five years.

Some of the public sector banks are offering new types of deposit schemes linked with the provision of housing finance to the general public. The deposit period tends to vary between 5 to 10 years. For example, under its Cumulative-cum-Housing Deposit Scheme of 5 to 10 years, the Syndicate Bank would grant a loan for housing purpose equal to double the amount payable to a person on maturity of the deposit. The loan is granted subject to rules in connection with mortgage loans."¹² Nowadays, majority of public sector banks have one or the other type of deposit schemes linked with housing finances. This is the new way of attracting deposits from the general public and also contri-

¹²Financing House Construction in India, *RBI Bulletin*, February, 1979, RBI, New Delhi.

buting towards solving a social problem like housing. Thus these types of deposit schemes are beneficial for banks as well as individuals.

Table 1 shows the provision of housing finance by Public Sector Banks as at the end of July 1973 and 1974.

TABLE 1 COMMERCIAL BANK'S LOANS FOR HOUSING
(Sectorwise)

| | | (Rs. in crores) | |
|---|--|--------------------------------|-------------------|
| | | Outstanding at the end of June | |
| | | 1973 | 1974 |
| 1. Public Sector: | | | |
| (i) Central and State Government owned undertakings | | — | 0.17 (0.3) |
| (ii) Housing Boards and other Quasi-Government bodies (Local authorities trusts etc.) | | 0.31 (0.7) | 1.20 (2.0) |
| 2. Cooperative Sector | | 8.41 (19.1) | 13.08 (21.5) |
| 3. Private Sector of which | | 35.28 (80.2) | 46.18 (76.2) |
| (i) Public and private limited companies | | 0.64 (1.5) | 0.59 (1.0) |
| (ii) Partnerships, Proprietary concerns, Joint families, association, etc. | | 11.46 (26.1) | 10.98 (18.1) |
| (iii) Individuals | | 23.18 (52.6) | 34.61 (57.1) |
| | | 44.00 (100.00) | 60.63 (100.00) |

NOTE: Figures in brackets are percentages to total.

SOURCE: Basic Statistical Returns; Adopted from; Financing House Construction in India (Table 10), *RBI Bulletin*, February 1979.

Table 1 reveals that the total lending of public sector banks for house construction is meagre, i.e., Rs. 44.00 crores in July 1973, which rose by a marginal amount, viz., by Rs. 16.63 crores, as the total being Rs. 60.63 crores as on July 1974. This is a very negligible fraction of total lending of public sector banks given for housing. This shows clearly that the role of public sector banks in housing finance is very meagre. Even after 1974 the same scanty allocation of funds by them for housing, a vital social sector of our society, continues. This is the most distressing fact.

Moreover, it could be observed from Table 1 that in the period covered, greater proportion of even meagre loans and advances has gone to the private sector. The important point in this connection to note is that: "Loans to individuals alone account for more than half. Advance of Rs. 35 crores (as on July 1974) outstanding against individual borrowers represents mostly term loans granted to their own employees by banks. A small part of it may constitute advances granted to the landlords for construction of premises in which banks wanted to open branches, particularly in metropolitan cities."¹³ Further more, a very insignificant amount of credit is dolled out by public sector banks for house building activities of SHB's, local authorities and city improvement trust boards, etc. Hence, one can say that the role of banks in financing house construction activities is not worthy to mention.

Reasons for Meagre Lending

Basically there are two-fold reasons for meagre public sector bank lending to house construction in India. They are:

1. Those factors being responsible for assigning low priority for housing finance by public sector banks; and
2. those factors which really did not open up new frontiers of housing finance to be undertaken by public sector banks. The former set of factors arising within the working pattern of commercial banks and the latter set of reasons which really do not initiate or induce the public sector banks to step in to financing house building activity on any considerable scale. The first could be called indigenous factors prevailing within the banking system and the second set of factors persisting outside the banking sector acting as impediments for their entry into this field of lending. Thus the second set of reasons could be called exogenous factors.

Indigenous Factors

There are no legal or monetary restraints imposed on the banks in India so as to discourage them from providing housing finance. The insignificant role of banks in housing finance could be found in four important factors. They may be explained as follows.

It has been pointed out that "The difficulties, particularly the legal technicalities (regarding title, valuation, etc.) in accepting immovable property as security and further, in realising the amount lent, in case of default, discouraged banks to advance money on mortgage of real estate in general. Secondly, granting of housing loans was considered a function of institutions specialising in housing finance namely, the state

¹³"Financing House Construction in India", *RBI Bulletin*, *op. cit.*

cooperative finance societies and the central corporation for housing. Thirdly, housing loans were generally considered by banks as unproductive and inflationary. It was, therefore, not regarded as the legitimate function of commercial banks in India to lend for housing purposes."¹⁴ Moreover, finally the deposit schemes linked with housing finance provide no cover against inflation. Thus the middle and upper income groups are not keen about these schemes. And deposit linked housing finance schemes like 'Save A Rupees A Day' has not been implemented by all SHBs in the country.

Therefore, the current practice of direct and indirect finance facilities of commercial banks suffer from certain serious defects. They have to be eliminated in order to make the role of public sector banks in housing finance more purposive and meaningful.

Exogenous Factors

There are certain other factors which have contributed to a very negligible role of banks in financing housing. They are: (1) so far, we are not able to frame and implement a national housing policy in the country. This lacuna has resulted in inappropriate way of defining the role of various financial institutions in financing house building activities, along with other difficulties. Therefore, it is said, "It is the misfortune of this country that in the field of urban development in general and housing in particular, the plan documents neither specify goals nor formulate strategy in the clear, unequivocal terms....."¹⁵ (2) In India, there is not a highly developed and organised capital and mortgage market for providing necessary finance for house construction activities. The Revised Sixth Plan (1978-83) envisages a total private investment of Rs. 11,000 crores in housing, but it is quite silent on the way how it is mobilised and where does the money come from? And in the recent past, the RBI has issued new guidelines to all public sector banks to invest up to Rs. 75 crores other than guaranteed debentures, every year in house building. This shows the unaltered position of banks in housing finance, i.e., their very little contributions. (3) The house building agencies like SHBs, local authorities, and housing cooperatives, etc., have not shown over the period, the necessary dynamism and zeal to prepare and implement such housing programmes for which bank loans could be easily obtained. (4) conservation of old stocks of houses and their improvement has not been taken up seriously in all States except Maharashtra. In Maharashtra, a Building Repairs and Reconstruction Board was set up in Bombay in 1969, to finance the conservation and improvement of old stocks of houses and buildings. A cess used to be levied on all old build-

¹⁴"Financing House Construction in India", *RBI Bulletin*, op. cit.

¹⁵M.N. Buch, "The Fundamentals of a National Housing Policy", *Nagarlokh*, October-December, 1979, Vol. XI, No. 4, p. 53.

ings (private and public) and the proceeds were disposed of on annual repairs and improvements. The activities of this organisation has been taken over by the Maharashtra Housing and Area Development Authority established in 1977. Generally speaking, periodically the public buildings used to be repaired and improved in the country but not the private buildings (residential and non-residential). If all the states would have taken up the programme of repairs and maintenance of old private buildings, the deteriorating housing conditions could have been arrested to some extent and the help from commercial banks might have been sought to finance the scheme through some institutions as well as directly dealing with individuals. Thus banks remain in the corner being helpless. (5) Finally, housing has been accorded a very low priority under our plans. Therefore, no sincere efforts were made in the past to develop a capital market for housing finance (mortgage and insurance markets) in the country, in which commercial banks could have played a significant role. Thus, as a whole hitherto the role of commercial banks in financing housing in India is not at all impressive.

New Approach

The housing as a form of social infrastructure remains under invested in a large number of LDCs and MDCs. Moreover, the role of commercial banks in housing finance is very negligible in all LDCs including India. Therefore, there is a need for altogether a new approach towards housing finance and the role of commercial banks in financing house building activities.

Any new approach that seek to widen the institutional sources of finances for housing as at present in India, will necessitate a definite national housing policy. A concrete 'national housing policy' should specifically spell out the role of different financial institutions in assisting and promoting housing programme on the one hand, and on the other, it should categorically, with all specificity, assert the various real aspects of the housing programme. A housing programme for the nation as a whole has financial as well as real aspects.

The financial aspects of housing policy concern itself with the various issues of funding the public and private sector house building activities. In other words it has to deal with the setting up of specific housing finance institutions, promoting savings for encouraging residential construction, allocation of the available financial resources from all institutional sources among public and private housing programmes, providing institutional finance for conserving and improving the old-housing stock and the development of a capital market, etc.

The 'real' aspects of a 'national housing policy' has to specify the appropriate technologies for different kinds of housing, their social and geographical aptness for the concerned target groups and areas, the

availability and use of local building materials, adoption of suitable site and services policy, setting up of state level repairs and maintenance boards for conservation and improvement of old houses, location of new housing colonies, etc.

The national housing programme should also clearly specify the areas of interaction and mutual cooperation among house building organisations like public authorities, SHBs, Housing cooperative, etc., with financing agencies like commercial banks, HUDCO, LIC, General Insurance Corporation, etc., because any successful housing programme will necessitate more dynamism and healthy cooperation motivated towards integrating real as well as financial aspects of the schemes.

On the basis of a viable national housing policy, the commercial banks can provide greater volume of credit for promoting investment in housing. Some of the ways by which banks can deploy more money for housing may be explained as follows.

1. The public sector banks should finance liberally the housing schemes of SHBs, housing cooperatives, urban governments, etc. To do so, the banks can make contributions towards debentures and shares of these organisations. The house building authorities can also submit viable plans of housing to banks seeking them to fund their programmes through direct loans and advances.
2. The banks can directly finance the private house building activities by extending individual personal loans.
3. The housing finance linked deposits of public sector banks should be extended to all banks and the nation as a whole. In implementing these types of schemes, the SHB's, Housing Cooperatives and banks can come together and devise new schemes catering to the needs of poor and lower income groups. This is the area in which banks can do something to improve the living conditions of our masses. Moreover, the availability of bank finance for weaker sections to build their own roofs will definitely enhance the social impact of their other kinds of lending, viz., loans and advances under DIR scheme as well as priority sector. In other words, increased banks finance for housing especially for downtrodden will certainly enhance the social productivity of all those schemes under which they are financing weaker section's welfare.
4. An effort to conserve and improve, the existing stock of houses in the developing world, including India will definitely minimise the acute housing deficiencies. Hence a 'housing preservation programme' is warranted. The significance of such a programme could be seen in terms of minimising investment in housing

afresh in these poor countries. Thus, it is observed that "the relative economics of a repair programme vis-a-vis new construction is the relative real cost involved in rehabilitating existing stock as against creating new stock. New housing construction requires huge investment to create educational, medical, transport, and recreational services along with new housing. Repaired houses on the other hand do not call for fresh investments since such facilities are already available on purely economic considerations. Therefore, a housing preservation programme is beneficial and prevents premature depletion of housing stock by obsolescence."¹⁶ The conference of State Ministers for Housing, Urban Development and Local Government held in November 1978, by appreciating the idea, has recommended to all states and Union Territories to create separate authorities for repairs and maintenance of old housing stocks by enacting suitable legislations. It has further observed that the SHBs may also take up this job. However, nothing seems to have emerged in terms of action except a policy decision by HUDCO to finance repairs and maintenance on its behalf.

Therefore, under these conditions, banks cannot take up this task on their own. But looking into the urgency of the situation and the significance of preserving housing stock, the Central Government can initiate measures to set up suitable organisations for this purpose. In response to this the banks can evolve suitable schemes through which they can finance the scheme of housing stock preservation and improvement.

Recommendations of Shah Committee

The Shah Committee (1978) which examined the 'Role of Banking System in Providing Finance for Housing Schemes' has recommended banks to lend Rs. 75 crores per annum for housing other than personal loans given to their own employees. Accordingly, for certain types of housing programmes that much of money is being lent since 1979, as directed by RBI.

The Shah Committee has suggested that banks can finance housing programmes undertaken by public authorities, such as public utility buildings like educational, health, cultural, shopping complexes, etc., which help to develop new settlements and to provide loans for improving the conditions of slum dwellers. All these target groups will be financed upto Rs. 75 crores every year by public sector banks. Needless to say that this small portion of money is simply a drop in the ocean! In

¹⁶G.C. Mathur, "Conservation of Existing Housing Stock," *Nagarlok*, Vol. XI, October-December, 1979, No. 4, p.68.

other words, it will not simply help anybody to do something substantially to mitigate the housing problem in the country.

Another very vital recommendation of the Shah Committee on bank finance for house building is to adopt a 'consortium approach' involving all the similar organisations. It is said: "wherever possible, particularly for housing projects involving large amounts of money, consortium approach may be adopted involving Commercial Banks, HUDCO, Housing Boards, LIC and other bodies, depending upon the nature of the scheme. In such consortium lending, repayment period in the case of banks may be fixed at not more than 10 years, which it can be longer for other agencies."¹⁷ However, the idea of consortium approach is a welcome suggestion.

But the Shah Committee has left out (1) the relevance of bank finances for house preservation programmes; and (2) the possible ways of increasing household savings through banks to promote private investment in housing. Thus, these two aspects appear to be very serious limitations of the study conducted by the Shah Committee.

CONCLUSION

Housing is a very crucial social sector rather more underdeveloped and underinvested around globe. The reasons for this could be traced in the literature that assigns greater role for aggregate economic growth.

Housing deficiencies are rampant both in MDCs and LDCs. The considerations of social justice and social betterment will necessitate more investment in housing. Therefore, in the recent past in a large number of countries including India, some concrete measures have been taken up to provide institutional loans and advances for promoting housing as a form of economic activity.

Banks have done little in regard to the provision of housing finance everywhere. However, the role of commercial banks in housing finance in a large number of LDCs, including India is almost insignificant. Therefore, banks being large reservoirs of deposits and entering gradually into the field of term-lending can deploy large funds to promote house construction activities. This is more so in countries like India, where banks are in Public Sector and housing problem is both quantitative and qualitative.

Public sector banks lending for housing in India will definitely help to preserve the existing house stock and also construct new housing units. This will have a very favourable impact upon employment pro-

¹⁷From summary of Shah Committee recommendations on Bank's role in Housing Finance, Appeared in: "Records and Statistics—Finance for Housing Schemes", *Eastern Economist*, Vol. 74, No. 6, February 8, 1980, p. 311.

motion in construction industry, improvement of labour productivity and a rise in standard of living of the people. Moreover, the bank finance for housing meant for economically weaker sections both in rural and urban areas will have a profound impact upon social aspects of living of these people. Added to this, through more bank finance for housing, the social productivity of their other lending schemes for weaker sections could be raised further.

Hence banks should enter the field of financing housing in India. In the wake of raising population and increasing urbanisation, the housing deficiencies are bound to persist in future also. Accordingly, the house values also get an upward spurt. Thus banks can fall back upon their mortgages, whose value will be appreciating year after year both in real and financial terms, in cases of defaults.

Therefore, on many counts, the role of public sector banks in housing finance should be substantially stepped up. This will not only help to tackle the housing problem more efficiently but it will also add a new feather to them, viz., 'innovative or social banking' which they have been wearing since the recent past in the country. □

Book Reviews

Resettlement Policies in Delhi, GIRISH K. MISRA AND RAKESH GUPTA, New Delhi, Indian Institute of Public Administration, 1981, pp. 306, Rs. 100.00.

One of the lasting physical legacies of the Emergency is the relocation of almost 1.5 lakh hitherto squatter families in Delhi to 16 resettlement colonies on the outskirts of the city. This gigantic task was accomplished in the short space of 18 months. The rapidity with which this action was taken was not dissimilar to the recent attempt in Bombay to evict thousands of pavement dwellers from their measly abodes. As such, the pros and cons of the resettlement scheme have been debated *ad nauseum* in the press as well as in learned gatherings usually in tones charged with a great deal of emotion. Misra and Gupta are, therefore, to be congratulated on undertaking this unenviable task of attempting a dispassionate analysis of the aftermath of the scheme based on 'hard' survey data.

The Resettlement Programme started originally in 1962 and almost 60,000 families were relocated in a period of about 15 years before the proclamation of the Emergency. According to the authors, the pattern of resettlement colonies is not in conformance with the Master Plan of Delhi which "clearly indicated that the areas to be earmarked for low income rural migrants should not be located in the periphery of the city". Further, about 1/3 of the land from which the squatters were evicted was meant for residential uses according to the Master Plan. Misra and Gupta conclude that the reasons for their shifting to outlying areas was not due to scarcity of land but "due to the elitist approach while looking at the problem". It was with this background that this study was undertaken in order to make a comparison of living conditions between resettlement colonies and squatter settlements and to assess the impact of the resettlements scheme. It was also hoped to derive policy implications for the future as a result of this analysis. A survey method was adopted and 370 households were covered in 8 of the 34 resettlement colonies, 4 from the 18 colonies established before the emergency and 4 from the 16 established during the emergency period. While copious information is given on the results of the survey, it is difficult to decide whether the sample of 370 households is a representative enough sample.

Before the results of the field study are presented, a very useful review of the resettlement policies in Delhi is provided. What is interesting about this review is that it reveals that various studies commissioned by the Government of India (by the Home Ministry as well as the Town and Country Planning Organisation) over the years had highlighted the many problems that are inherent in resettlement schemes: yet the same mistakes continued to be made over and over again. This is somewhat reminiscent of the process by which Indian indentured labour was shipped to the sugar plantations of Trinidad, Guyana, Mauritius and Fiji in the nineteenth century. Then, as now, there were many studies commissioned by the colonial government pointing out the many ills and malpractices associated with the transmigration of the unsuspecting poor from India to distant parts. Yet, the indentured labour trade continued until the demand was satisfied—despite many pious governmental announcements attempting to show official concern. Among the many problems observed by the Government of India studies on resettlement policies were:

- shifting of people was done in a haphazard manner without information to those involved in the process;
- it was done on the basis of individual families disregarding all the social and community relationships in the existing settlements;
- the resettlement sites ignored the work place location of the re-located squatters;
- relocation was often done without the development of the basic services and amenities in the new sites;
- the transfer on long-term lease and hire purchase basis of ownership was accepted in principle but details were left to be finalised later.

The study reveals that the post 1975 resettlement scheme continued to suffer from all these problems. The 16 new resettlement colonies were developed by the DDA in about 1000 hectares. Over a third of this area was outside the urban limits of Delhi for which the land had been designated as green and marshy. Moreover, much of this land was forcefully occupied without normal acquisition procedures. According to the study, even now this land is yet to be formally acquired.

Misra and Gupta have done a mountain of work in the processing of their survey: the book itself provides over 150 pages of tables (the text is only about 110 pages). It has to be said, unfortunately, that the use of the data is somewhat unimaginative: it is basically a report of the various frequency distributions that the survey threw up. Given the richness of the data one would have hoped for a richer qualitative analysis making use of the large amount of quantitative information that was

collected. Nonetheless, there are a number of significant results that can be gleaned from the study. As might be expected the study confirms that average family income declined after the squatters moved from the squatter settlements to the resettlement colonies, mostly due to the loss of income earning opportunities for the women. When this fact is combined with the finding that average transport expenses increased significantly from about Rs. 9 to Rs. 32 per month after resettlement, the conclusion is that there must have been a serious erosion in the welfare level of the families. Added to this erosion in living standards is also the vastly increased time that is taken for commuting from the new resettlement colonies: about an hour each way on the average as compared with 20-25 minutes before resettlement. It would have been interesting if the authors had made an estimate of total resource losses involved in such resettlement schemes—and then compared it with the investment required for the provision of housing assistance for the poor *in situ*.

Another result of significance found in the study is that only about 3 per cent of the respondents were not the original allottees in the resettlement colonies surveyed. In most such schemes, the leases given usually incorporate stringent conditions on the transfer of rights from the original allottee to others: thus seriously inhibiting mobility within the city. In fact, the tenure situation in Delhi's resettlement colonies is apparently still unresolved: the families still hold only licence rights. They have not been given regular leases yet partly because it is feared that many *benami* transactions have taken place since the time of original allotment. The results of this study would indicate that this is not really a serious problem.

The study also enquired into the adequacy of public services in the resettlement colonies. It was found that as many as half of the households face 'difficulties' in getting water from the public standposts. The main problem appears to be crowding at the standposts and the consequently long waiting times. A large majority of the households (95 per cent) were willing to pay for a municipal water connection if facilities could be provided for the payment of connection charges in instalments. Surprisingly, the results indicate that fewer respondents had major difficulties with water in the squatter settlements before moving. Another somewhat surprising result was that the vast majority of respondents stated their willingness to pay the service charges for flush latrines. Health facilities were found to have been more accessible in the squatter colonies than in the new resettlement colonies and least in the old resettlement colonies.

The plots that were given in the new resettlement colonies were only 25 sq. yards per family. *Over 70 per cent of those relocated in these colonies claimed that they occupied plots larger than those in the squatter*

colonies. This implies that the congestion or crowding problem is worse in the new resettled colonies than in the squatter areas which were cleared. It also implies that more land was made available in the central city as a result of the slum clearance than was provided in the new colonies. The authors have unfortunately not probed these serious implications apart from merely reporting these results. It would be of interest to know, for example, what use the cleared squatter lands have been put after removal of the squatters; what would have been the public investment required if the squatters land been regularised where they were.

Although the study does not go far enough in analysing the implications of its own results it is an important piece of work as one of the few statistical-based studies of this thorny problem. Its last chapter on the formulation of future resettlement strategies is also somewhat weak in that it does not recognise some implications from its own survey. It is stated, for example, that the real solution to the problem of squatters lies in the development of its region. Secondly, it is suggested that a firm stand should be taken against the prevention of squatting. This suggestion is accompanied by the idea that residential areas should be selected for this section of the population and either built-up tenements can be kept ready in these recognised areas for which a nominal rent can be prescribed or only plots can be provided in the first instance on a "no profit, no loss" basis. In this context it is important to understand that even squatters are an integral part of the city: they are not 'marginal' or undesirable appendages to the city as is implied by some of these remarks. They perform functions that are essential to the running of the city. There is unfortunately no information on unemployment rates in these colonies except that women have difficulties in getting employment in the new resettlement colonies. Squatter colonies are not usually found to have significant higher unemployment rates: this would support the idea that squatters are an integral part of the city's economy. Thus, the development of the region around Delhi would not solve the problem of the poor squatters in Delhi. It should also be recognised that, as it is, the growth rate of towns surrounding Delhi, has not been much lower than Delhi itself. Thus it is unlikely that even if their rate of growth is stepped up somewhat it would have any effect of significance on the growth of population in Delhi. The construction of tenements is probably infeasible because of cost considerations as well as the paying capacity of the urban poor. Judging from the responses of the resettled people as reported in the study, the conclusion seems inescapable that they would have been much better off had facilities been provided in their original settlements. The government itself would also have saved resources and the residents' paying capacity for the improvements would also have been better taking into account their increased travel expenses

in the relocation areas as well as the decrease in family incomes. The general policy should then be improvement of existing squatter sites as far as is feasible. Only in exceptional cases should mass removal be resorted to and, as the study suggests, this should be done in consultation with the community being moved—as a community rather than as individuals.

In conclusion, the book has much material for further thought on this subject.

—RAKESH MOHAN

Delhi Between Two Empires 1803-1931—Society, Government and Urban Growth, NARAYANI GUPTA, Delhi, Oxford University Press, 1981.

Delhi Between Two Empires is a painstaking crafted study of the trials and tribulations of a city as it went through a period of decline after one empire was conquered and before the new one was firmly in place. As the Mogul Empire crumbled and decayed, so did the importance of Delhi: yet its culture and way of life survived in large measure until the British came and conquered it in the early years of the nineteenth century. The British took over the city but were never able to become part of it until they recreated it in their own image as a grandiose capital of an ultimately fading empire. It was then that the closely integrated form of Delhi was destroyed and Delhi became a truly imperial city: a form that has been further confirmed as the capital of independent India. Narayani Gupta has displayed a high degree of patient scholarship in recreating and evoking the mood of the city as it experienced the major trauma of a declining empire, the British conquest in 1803, the bloody fighting in 1857 along with the resulting dislocations; the slow recovery until the turn of the century and finally its resurgence in this century.

The city was created by Shah Jehan as an integrated whole. It is remarkable that remnants of its culture and way of life survive to the present day. The basic map of the city remained unchanged for almost two centuries. This was partly because it was a well fortified city but also because it had successfully combined its key functions as a major metropolitan centre: manufacturing, commerce, finance and government in a small area. These functions were integrated spatially in an intricately laid out network of *kuchas*, *mohallas* and *katras* which were aesthetically pleasing as well as functional. As cities went in the early part of the nineteenth century, Delhi was a large city with a population of about 130,000 to 150,000. Apart from London and Paris, major European cities like Berlin, Hamburg and Rome were of similar sizes. An Indian chronicler, quoted by Gupta noted Delhi for its '*Aadmiyat*' or polished

urbanity. It is this quality of the city that has been captured so well in this book and it is also this quality that was successfully destroyed by the creation of New Delhi by the British and later by independent India.

The volume is essentially a descriptive account of the developments in the city as it changed from 1803 to 1931. These changes are depicted through the activities of the elite citizenry of the city and their changing relations with and reactions to the authorities during this period. It is a human account of the city rather than a description of its physical developments. Apart from the second chapter which does give a general portrait of the city over the whole period including its major physical and economic developments, the other chapters give a sequential account of life in the city broken into six consecutive periods between 1803 and 1931.

The Third Chapter, entitled "Recovery and Realignments" (1858-76) describes how "Delhi had to be built anew in 1860s, in a physical and psychological sense". A royal capital had suddenly become a provincial town. Although a Municipality was set up the first charge on its revenues was the Police and this accounted for as much as 75 per cent of total expenditure by the Municipality. As in other parts of India and in other colonies, the British adopted the principle of rewarding loyalists by bestowing wealth, land, titles and positions of honour to those who had sided with them in 1857. Thus Muslims were effectively replaced by Hindu and Jain families as the prominent families of Delhi. The disputes that occurred as a result were more likely to be between Hindus and Jains rather than between Hindus and Muslims. This was a bad time for the Muslims having been thoroughly demoralised by their defeat in 1857, though the British did take care to have a few Muslim loyalists as well in the Municipality. The extent of the Muslims' decline can be noted from the fact that Jama Masjid was closed to worshippers until 1862. The main physical development that took place in the city was caused by the introduction of the railway line which along with the "100 ft. wide Queen's Road and Hamilton Road built as adjuncts to the railway line by the Imperial and Provincial Departments displaced many hundreds of people" in the 1860s and 1870s. At about the same time, waterworks had to be put in as the town's wells were found to be brackish and "sweet water could be got only at great expense from the Ridge and from distant Jhandewalan". It turned out that despite earlier official misgivings, people were quite willing to submit to additional taxation in order to get piped water from the Jamuna and for sanitary improvements. Some things, such as, the ruling elite's disdain for and under-estimation of the common sense of the common man, never changed! The period 1877 to 1885 was marked by a rise in cultural, intellectual and educational activity in the city. The various educational and cultural establishments that existed earlier had effectively ceased to function after 1857. Delhi

Society was founded by the Commissioner in 1865 in order to provide a forum where diverse views on contemporary problems could be heard. The ratio of membership between the British and Indians was about one to four. Much debate ensued on the lack of a college in Delhi: Delhi College was functioning as a high school. St. Stephen's College was founded in 1881. As is so common, primary education was neglected in most discussions and plans for education: again, something that has not changed. The period 1883 to 1903 was notable for the resurgence of Delhi's citizenry but also the beginning of communal problems in the city. House tax was also introduced during this period—despite various protests against it. It is interesting to note that the reason for instituting the house tax was the necessity of financing drainage works: the financing of urban infrastructure through local resources remains a problem to this date. This period saw the formation of various citizens' associations, the most prominent among them being the Ratepayers' Association which was originally formed in response to the house tax. Some of the activities of these essentially local organisations also began to get linked to wider nationalists issues around the turn of the century. But the key development which emerged at this time was "the sense of community in the city was being eroded as a result of its expansion and of the ending of its isolation from the rest of the country."

Chapter 6 focuses on "Strains of Urban Expansion (1892-1912)" resulting from Delhi acquiring importance as the commercial capital of the Punjab in the 1890s and later being declared as capital of the country in 1911. This chapter is of great interest since many of the problems regarded as important then are not different from the problems of growth in post-independence Delhi. There was concern with the heavy strain of resources required for providing urban services to the burgeoning population of Delhi. There was active debate on the desirability of different sources of local revenues, particularly house tax and octroi. As is the general practice today, more attention was paid to the provision of water, sanitation and roads to the areas inhabited by the elite, government and the military than to the rest of the city. Similarly, as is now the case with a show, prestige project like the Asian Games, more was done in the city because of the Durbars of 1903 and 1911 than the normal demands resulting from urban expansion. Electricity, waterworks and drainage came to the city in 1902 as a side result of the Durbar. It appears that some organised planning was done in 1906-1908 with the idea that the "Municipal Committee may benefit a great deal by buying up plots which in thirty years will rise in value, the price of 'betterment' going into the pockets of the committee . . ." This was the time when the Cantonment was shifted out from Daryaganj to the North of the Ridge, and the "Western suburban area" was developed around Jhandewalan. Considerable discussion took place on how to effect the transfer of the Capital to

Delhi and how to manage this major expansion. The "Government made it clear that, apart from the areas specifically intended for the new city and the cantonment, a large part of Delhi Province would be 'acquired' as a reserve. This was advisable because it was difficult to predict the demographic size of the new city. Prompt action was necessary because land values started to soar as soon as the decision about the transfer was known. Thus large tracts of land in the Northern environs of Delhi were notified. The original intention was to build the Imperial City alongside the Civil Lines. But it was only south of Shahjahanabad that it was possible to secure ten square miles for the city and fifteen for the cantonment. The original idea was to integrate the old city with the new but many projects were ultimately not taken up because the cost of the capital was itself far more than anticipated! The idea was that the existing urban complex should not be neglected: "we must reserve land for the expansion of the present city of Delhi and fix its limits; beyond these limits we must have an open space to separate the capital from the present city . . . Delhi city must continue to flourish as a trade centre . . . and we should allow for an increase every decade of at least 25,000 people"(!)

The volume has a wealth of such details for those interested in how Delhi has come to be what it is. The one drawback in this otherwise refreshingly carefully written and researched work is that there is often too much detail and a profusion of names which mean little to the general reader—and distract from the main themes of the volume. Its main contribution is the almost palpable evocation of Delhi in yesteryear as "a civilized, cultured community with non-competing and mutually respecting elites". "The texture of the circumvallation was as much of the spirit as it was of stone and mortar" . . . "The main victim of the imperial expansion of the city was this spirit of community and because of government policy, Delhi was to become more a neglected appendage to a pampered capital city."

—RAKESH MOHAN

The Property Tax and Its Administration, (Ed.) ARTHUR D. LYNN, Jr., The University of Wisconsin Press, Madison (WI), 1979, pp. xvi + 244, \$7.50 (Paperback).

The occasion to release a paperback edition originally published for the committee on taxation, resources and economic development (TRED) is a welcome opportunity to review the papers and proceeding on the administration of property tax in the US and its relevance for the LDCs.

The volume opens with two contributions—one from its editor, Lynn,

and the other from a veteran in the subject, Groves. While Lynn emphasises the institutional context in which the property tax administration should be considered, Groves sees limited role of state supervision of local property tax assessment pertaining to education, persuasion and assistance of assessors. Groves' scepticism is shared by Welch who feels that for the larger states, like California, such a task to be undertaken at the state headquarters might be wellnigh impossible.

On the problems of administrative organisation for property taxation, there are three contributions by Back, Cole II and Corusy. While Back is optimistic about the state of the art, Corusy admits the depressing reality of low priority for assessment function, outmoded and sometimes unworkable laws and absence of minimum professional qualifications for the assessor. The paper by Cole II is a fair and frank discussion on the limitations of electronic data processing in assessment work inasmuch as the concept of annual appraisals and the data bank for property taxation are of questionable benefit to local tax administrations. However, two other papers included in the volume, by Aaron and Welch, pin greater hopes on the computer to reduce the cost of field assessment by providing average assessment level data for different types of properties in different locations.

The heart of the volume is a collection of five papers on assessment procedures. Of these, the one by Holland and Vaughn on self-assessment is a real gem. The authors distinguish three specific variants of a general self-assessment (SA) scheme: the first, (Herberger variant) requires that a self-assessed property be sold to anyone who submits a bonafide bid at least 20 per cent greater than the owner's valuation; second (modified-Herberger version) permits owners to keep his property if he matches any bid at least 20 per cent greater than his valuation, the rebuffed bidder would receive a reward of the first year's increment in tax liability resulting from his bid; and finally, the third (Kaldor variant) permits the owner to keep his property in the face of a bid at least 20 per cent greater than his self-assessed value only if he declares a value of 25 per cent greater than the self-assessed value. The authors conclude that a SA scheme with bids at least 20 per cent above the owner's valuation might not be supported by the community; if accepted, a 20 per cent is probably too low a cut-off to prevent sizeable hardship for current owners. However, if the premium was raised to 50 per cent, there would be much less opposition to SA. A stronger case could be made for SA as an interim device, while capacities and institutions for government assessment are being built. SA would be easier to install initially, would establish the basis of some structure of valuation and would mean that the government would begin to collect some revenue and promote tax payers' awareness. An interesting suggestion has been made in this context of arranging assessment insurance to cover the owners' valuation for a fee which would

insure them against a successful takeover bid on their property.

While the mathematics of SA has been laid bare in the Holland-Vaughn article, its practical enforcement still remains open to doubt due to constitutional restrictions, local resistance, hardship factors and imperfections in the property market. The experience in India on a similar SA scheme for income tax purposes has not been successful and is doubtful if even as a transitional device SA would succeed in other LDCs.

In his paper on Extractive Industry and Agricultural Real Estate, Ferraro pleads for recognition of external influences and separate valuation for urban residential and recreational land. The author contends that public land leases have value and should be assessed and taxed *ad valorem*; similarly, water rights and availability must be quantified and assessed accordingly.

Stocker, in his paper on assessment of rural-urban fringe areas, suggests the introduction of a tax deferral scheme to be valued on potential urban-use basis. He is supported by Vickrey, in the discussion during the conference, where land value is enhanced because of an approaching change in the appropriate use. From the point of a LDC such a tax-deferral scheme is inoperative due to the absence of any organised property tax system in the non-urban areas outside the municipal limits; also in order to be successful, a tax deferral scheme needs to be tied up with the financing institutions that are generally absent in the LDCs to cover the transactions.

Aaron's paper pleads for full-value property assessment and suggests cost-effective methods for the purpose, using assessment-sales information. He suggests that large classes of property could thus be revalued annually on the basis of sales data with little actual appraising. The author contends that three kinds of information would be necessary for this purpose: (a) distribution of assessment-sales ratios on relatively homogeneous property classes; (b) calculation of the average cost of appraiser's time necessary to revalue each type of property and the cost of handling appeal cases; and (c) concentration on the underassessed properties exceeding a tolerable limit, using the value judgement of the assessor. However, judging from the experience with the use of computer for property tax assessment, as indicated in the paper by Cole II discussed earlier, the practicability of Aaron's suggestions may be open to doubt. As of now, the human factor in assessment administration seems predominant and the concepts of annual appraisals and the data bank are of questionable benefit to local tax administration, even in the US.

The paper by Woodruff concentrates on the imperfections of the market for specialised industrial property, the urban under-used property and the transitional fringe property and makes a persuasive case for a stiff capital gains taxation on land. The Australian practice of combin-

ing zoning regulations and tax measures granting concessions for 'rural' land, but recapturing the lost revenue at the time conversion takes place could be one solution; the other solution might lie in the Taiwan type of tax on capital gains where the tax rate rises from 20 per cent on the increment of profit between 100-200 per cent to 80 per cent on the increment involved in the third doubling of starting price. The Taiwan land value increment tax has obvious attraction for the LDCs, but it presupposes a healthy property market and a foolproof centralised assessment process—both these pre-conditions being at a discount in the LDCs.

The last two papers on property tax policy are distinctly American in their flavour—the first by Mark on Hawaii's land use law and the second by Welch on policy potentials.

All in all, the volume does provide an excellent compendium of the various facets of property tax administration in contemporary US and provides lessons on the generality of issues relating to the problems of property taxation anywhere.

—ABHIJIT DATTA



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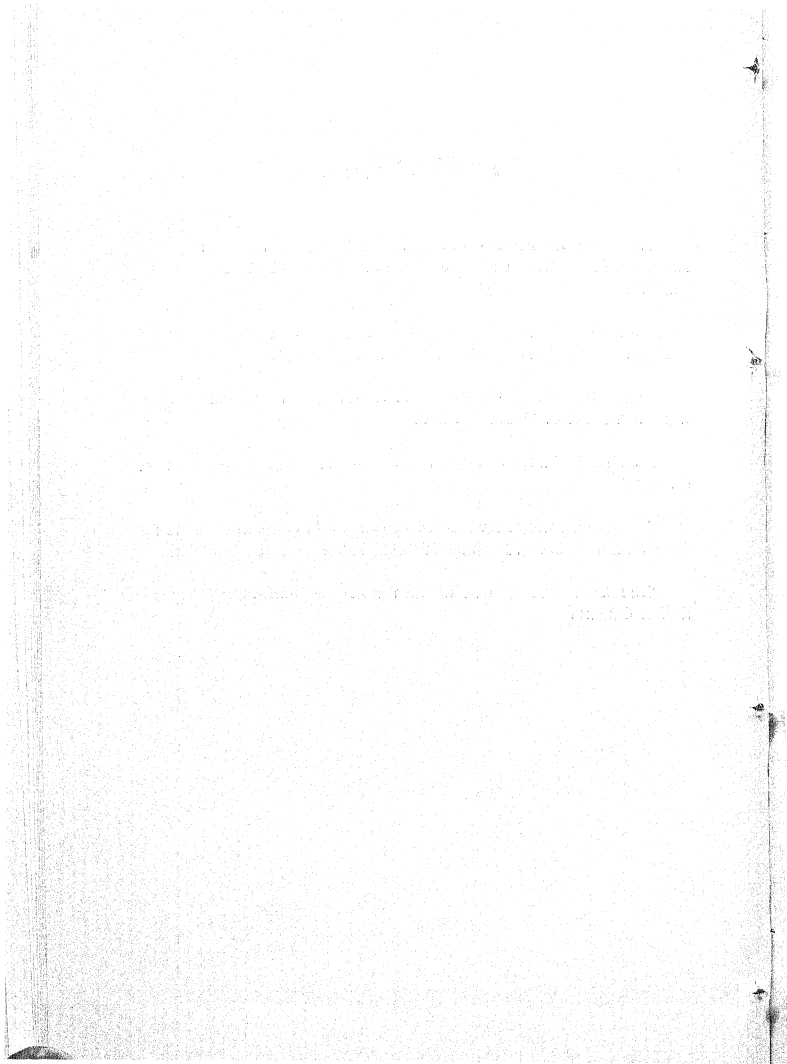
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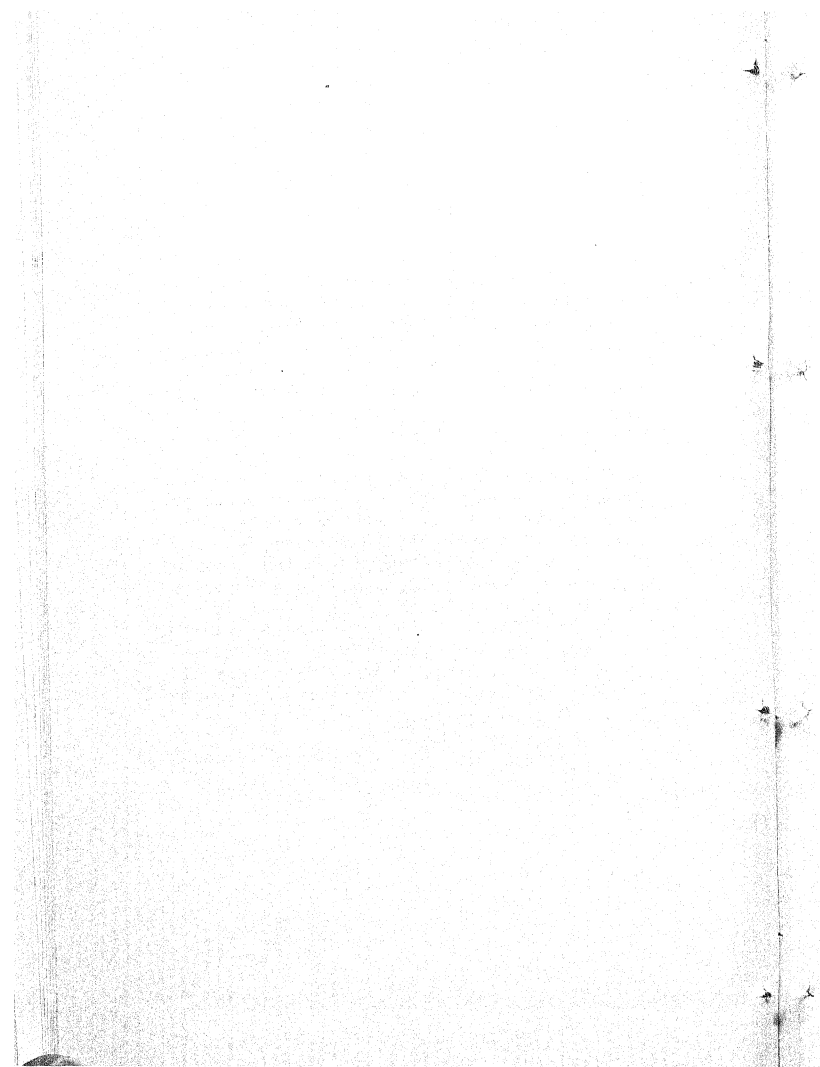


Editorial

The theme of the present special issue is 'Mayor-in-Council'. We selected this theme as two bills—the Calcutta Municipal Corporation Bill, 1980 and the Howrah Municipal Corporation Bill, 1980—have been passed by the West Bengal Legislature introducing the mayor-in-council form of executive in the two municipal corporations of that State by replacing the existing commissioner-oriented executive designed originally for the Bombay Municipal Corporation towards the end of the last century. Both the Calcutta and Howrah bills have received the President's assent recently and would be operational before long. The implications of this new experiment with the executive system in the municipal corporations in West Bengal are monumental for the municipal governments in the country. We have attempted to spell out some of the implications in terms of the situation obtaining in the Calcutta Corporation and we leave many others to the discerning readers for speculation.

It is our hope that the papers that follow would help in understanding the major features of the mayor-in-council experiment being undertaken in West Bengal for its possible replication in other States, both for the municipal corporations as well as for the municipalities.

—Editor



The Mayor-in-Council System

MOHIT BHATTACHARYA

WHILE COMMENTING on the working of local bodies in Britain in the later part of the last century, John Stuart Mill made a distinction between execution and control. Departmentation in local bodies was necessary, according to him, for actual doing of the work or execution. But control over execution demanded single-minded attention. To quote Mill:¹

The executive duties of the locality do indeed require to be divided into departments for the same reason as those of the state; . . . But the reasons for subdivision which apply to the execution do not apply to the control. The business of the elective body is not to do the work, but to see that it is properly done, and that nothing necessary is left undone. This function can be fulfilled for all departments by the same superintending body; and by a collective and comprehensive far better than by a minute and microscopic view.

Mill wanted a single point of control over the various local government departments in a local authority. The whole council was eminently suited for the job. In British local government system, the spirit of unified control by the local council has continued over the ages. The whole council performed this job with the help of numerous committees—both line and staff—that were constituted from time to time to assist the council in its work of superintendence.

In course of time, the work of British local government naturally grew in volume and complexity along with the evolution of social complexity. Reporting in 1969, the last Royal Commission on Local Government in England forcefully pleaded for a radical change from traditional practice and recommended the creation of a central focus of authority in each local body in modification of the numerous

¹John Stuart Mill, *Utilitarianism, Liberty and Representative Government*, J.M. Dent & Sons Ltd., London, 1954, p. 351.

committees that have conventionally dominated the organisational map of British local government.² At the core of the administration, the Commission wanted the central committee to be located, and it argued as a corollary that the "proliferation of committees must be ended". To quote the Commission:

Local Government has moved a long way from the days when its task was to provide a number of isolated services. Authorities are now responsible for a great deal of the context in which the lives of citizens are lived. Control of the physical environment, economic development, collaboration with other agencies of all kinds—public and private, as well as the provision of local services, are now their business. They have a duty positively to promote the welfare of the community. Many of their decisions, therefore, transcend the interests of a single department. Thus, for example, physical planning determines the environment for all functions, while the close ties between planning, traffic and housing, between the various personal social services, and between them and education and housing, are of great significance. The determination of coherent objectives is itself sufficient to make imperative a focal centre within each authority where a general view can be developed.

As the Commission continued:

Policy objectives have to be translated into programmes, priorities must be settled and projects dovetailed. Local authorities are constantly faced with the need to curtail schemes and with choices between competing claims. Settled programmes have to be controlled, adapted and eventually appraised—processes which themselves call for a central vantage point.

Each local authority should work out the form most suited to its particular requirements, but the case is surely cast-iron for a central body to advise the council on its strategy and priorities coordinate the policies and work of the service committees, and ensure that the best managerial methods are adopted in each department and in the work of the council as a whole.

Since the publication of the Royal Commission Report, debates have been raging over the form and purpose of a corporate structure in British local government. Organisational changes have been made in many local authorities by suitably adapting the corporate

²*Royal Commission on Local Government in England (1966-69)*, Vol. 1, Report, HMSO, London, pp. 124-5.

viewpoint, and despite professional and political scepticism about 'corporate planning' there is general agreement on the need for an integrated and comprehensive view of local government work that has traditionally been considered in piecemeal and fragmented fashion.

In the United States of America, the larger cities are having their political-administrative structures modelled on the familiar federal model. Both the council and the mayor are popularly elected. The mayor wields considerable legal power and his political stature in the city is pretty high due primarily to his powers of patronage and the deft manipulation of various publicity media. The strong mayor recommends policy to the council, appoints all heads of departments, prepares the budget and determines overall spending and taxation rates. He has even the power of veto over the ordinances of the council.³

The Anglo-American forms of local government signify one important fact: the 'executive' in local government is essentially political in nature. The history of municipal government in India tells a different story. What is significant from our point of view in this discussion is that the nature of the 'executive' in municipal government has been interpreted differently in two different contexts. During the British regime the executive in the three presidency towns of Calcutta, Bombay and Madras was conceived in bureaucratic terms; whereas the executive in the other municipal towns came to be gradually acknowledged as essentially political in nature.

Our focus in this essay is basically on the structure of big city government in India, as we seek to explain the relevance of the Mayor-in-Council plan to the governance of our big cities.

Since the presidency towns were the main centres from where imperial power used to radiate, the retention of bureaucratic control over their local government was consistent with the ethos of colonial rule. The executive in the corporation governments of these cities was conceived in terms of the politics of imperialism. City government was firmly in imperial hands through the appointment of the commissioner just as district administration was in direct government control through the posting of the collector.

With the end of the imperialist regime, the bureaucratic control of corporation government should have logically come to an end. But that did not happen. Strangely enough, instead of rejecting the colonial structure, the design of city government in the big cities was more and more fashioned after the old model. The worst culprit, in this respect, is the Rural-Urban Relationship Committee which was set up by the Government of India and reported in 1966

³Jay S. Goodman, *The Dynamics of Urban Government and Politics*, Macmillan, New York, 1980, pp. 138-140.

on, among other things, the structure of corporation government in big cities. It failed to appreciate the meaning of the great political change in the country since independence and made a mess of the executive organisation in municipal corporations. The upshot of the committee's recommendation was that the commissioner should be retained in the old form, the mayor should be kept informed of all goings-on in the corporation and an appellate committee should be set up to review decisions when appeals would be received. This is all the mole hill that the RURC could produce.⁴

At this stage, the nature and working of the corporation executive structure need to be briefly reviewed. The distinctive feature of corporation government is what is commonly known as the separation of executive and deliberative powers. The corporation lays down broad policies, frames bye-laws, sanctions budget and keeps a general watch over executive administration. But the entire executive authority is statutorily vested in the commissioner who is appointed by the State Government. The commissioner occupies the status of a coordinate municipal authority and derives powers directly from the law. The fragmentation of authority in corporation government is aggravated by the formation of a number of statutory committees. The net effect of this mode of organisation is that in corporation government the focus of authority is indeterminate.

The structure of corporation government seems to have been designed on the assumption that 'policy' and 'administration' are two distinct and divisible functions which can be entrusted to two separate authorities. In the practical world of governance, especially in the field of local government, policy and administration are inextricably intertwined.

It should be borne in mind that the independent coordinate authority of the commissioner dates back to a stage in the constitutional evolution of the country when representative municipal government was struggling to be born and official dominance was universal. Corporation government originated in the Presidency towns where the then ruling class had a vital stake in their administration and they could hardly afford to transfer executive authority even to a partially elected council. With the inauguration of constitutional democracy after independence, the retention of the government-appointed commissioner as a coordinate and independent statutory municipal authority has hardly any justification. When a civil servant is placed as a coordinate statutory municipal authority, it involves an unwarranted trespass into the domain of the representative local council. If he is defended as a check on the popular element,

⁴*Report of the Rural-Urban Relationship Committee, Vol. 1, pp. 70-71.*

the argument reveals a queer distrust of representative government itself. As the history of corporation government in India shows, the statutory division of deliberative and executive powers has been a constant source of friction between the commissioner and the corporation. The commissioner's attempts to run the executive administration without political interference have frequently been thwarted by pressures from the elective wing. On the other hand, the elected city fathers have argued, not without justification, that since they are often blamed for the deficiencies and failures in civic administration, the statutory responsibility for executive administration must be theirs. A debilitating conflict of authority has thus been built into the constitution of corporation government.⁵

Due to fragmented structure and splintering of authority, the needs of the city as a whole, its perspective planning for progressive development, and single-minded attention to mobilisation of resources and enlisting of active popular support for civic development seem to be nobody's concern. A commissioner may be a very efficient administrator, but he cannot be expected to play the role of a political leader. While the councillors would aver that they are partly, and not wholly, responsible for the city's governance, as executive administration has been statutorily taken out of their control. In this connection Ali Ashraf commented on the Calcutta city government thus:

The dual government of Calcutta, based on a separation of powers between the Councillors and the Commissioner, is indefensible on many grounds. It is especially inappropriate as a tool for civic planning and development. The provision of an independent Commissioner has repeatedly been demonstrated to provide at best only a negative check on the parochialism and bias of the Councillors, with the result of either a cold war between the Councillors and the Commissioner or the subservience of the latter to the former. Under the present system, there is no institutional device, machinery or agency to absorb and reconcile the differences between the Councillors and the Commissioner to their mutual advantage, and for the benefit of the city.

More important still, the lack of cooperation deprives the city of leadership . . . the Corporation-in-Council cannot, because of its size, itself satisfy the need for leadership; no Standing Committee can presently fill the void; the Mayor functions as speaker and ceremonial head; and the Commissioner is prevented from giving executive leadership in view of his official background and appointment. If he is lucky, the Commissioner can at best be an effective,

⁵Mohit Bhattacharya, *Essays in Urban Government*, World Press, Calcutta, 1970 (especially see the chapter on "Cabinet System in Municipal Government").

routine administrator; he cannot hope to be an effective innovator, pioneering new and radical measures, without the support of the Councillors and the social forces they represent.⁶

Researches have thrown light on the powerlessness of the elected councillors,⁷ the conflicts between them and the Commissioner, and on the anomalous and archaic executive structure of corporation government. The corporators have often criticised the statutory independence of the commissioner and pointed out the unworkability and undesirability in a democracy of the statutory separation of deliberative and executive powers. The introduction of the cabinet system of government at the municipal level was favoured by the mayors and corporators of important corporations such as Bombay, Calcutta, Delhi, Poona, Nagpur, Sholapur and a few others (as reported in the Report of the Rural-Urban Relationship Committee, Vol. III, 1966). As a concrete measure, the Metropolitan Council of Delhi had passed a Bill (No. 59 of 1966) proposing a Mayor-in-Council form of municipal government for Delhi in replacement of the present Municipal Corporation. The Bill was forwarded to the Parliament for enactment, but due to the general elections intervening, the measure could not be passed. It was explained in the 'Statement of Objects and Reasons' that the Bill contemplated important changes in the organisational set-up of the Municipal Corporation of Delhi to enable that body to function more efficiently. The scheme embodied in the Bill provided for the executive functions being vested in the Mayor-in-Council consisting of the Mayor who would be elected by the members of the Corporation and two Deputy Mayors to be appointed by the Administrator (of the Union Territory of Delhi) on the advice of the Mayor. The Commissioner would be the principal executive officer of the Corporation and would exercise the powers and perform the duties conferred or imposed on him under the Act subject to the supervision and control of the Mayor-in-Council. The form of municipal government envisaged in the Bill was modelled on the cabinet system of government. The Mayor and the two Deputy Mayors constituting the Mayor-in-Council were to be responsible for the executive administration of the Corporation; at the same time, they were members of the corporation. The Mayor could be removed by a resolution passed by a majority of all the members of the Corporation. The Commissioner was to be appointed by the Mayor-in-Council with the approval of the Administrator, and he was to function subject to the supervision and control

⁶Ali Ashraf, *The City Government of Calcutta: A Study of Inertia*, Asia Publishing House Bombay, 1966, p. 77.

⁷Donald B. Rosenthal, *The Limited Elite: Politics and Government in two Indian Cities*, University of Chicago Press, 1970.

of the Mayor-in-Council. This provision obviously aimed at abrogating the old duality in Corporation administration.

After the abortive attempt at Delhi, the idea of cabinet system in municipal government in India was mooted in a seminar held in September 1969 under the auspices of the Indian Institute of Public Administration, New Delhi.⁸ Academic discussions did create an atmosphere of change; but no state governments were bold enough to take the initiative. When the United Front Government headed by the CPI(M) Party came to power in West Bengal in 1977, local government—both rural and urban—was taken up as an agenda item for reform. The dominant party obviously planned to extend its influence deep into the rural areas and the towns of West Bengal. Panchayati raj, which was in a moribund state in West Bengal was revamped with more powers and resources.

CPI(M) captured most of the seats at all levels in panchayati raj. Encouraged by the results of panchayat elections, the task of municipal reform was taken up seriously, thanks to the initiative and interest of Shri Prasanta Sur, the minister-in-charge, who has spent long years of his political career in the Calcutta Corporation. In 1979, Sur introduced in the legislature his new Bill for the Calcutta Municipal Corporation providing for, among other things, a Mayor-in-Council as the political executive in the new Corporation. The Bill has since been adopted by the Legislature and sent for Presidential assent. In a way, the new enactment seeks to resume the old thread of supremacy of the political wing in Corporation government which was what Surendranath Banerjea called 'Swaraj' in 1923.

The new corporation legislation is not much different from the Delhi Bill of 1966, which, as mentioned earlier, could not be enacted.

It provides for three authorities—the Corporation, the Mayor-in-Council and the Mayor. The executive power of the Corporation shall be exercised by the Mayor-in-Council, and the Commissioner shall function under the supervision and control of the Mayor. The Mayor-in-Council shall be a small body, consisting of the Mayor and six to ten members. The other members shall be nominated by the Mayor and allocated responsibilities by him. They can be removed from office by a written order of the Mayor. The Mayor-in-Council shall be collectively responsible. A resolution carried by a majority of not less than two-thirds of the total number of elected members of the Corporation will be necessary to remove the Mayor or the Deputy Mayor, or both.

⁸See: *Cabinet System in Municipal Government: Proceedings of the Seminar*, September 15-16, 1969, Centre for Training and Research in Municipal Administration, The Indian Institute of Public Administration, New Delhi, 1970.

The new legislation for the municipal government of Calcutta marks a turning point in the history of municipal government in India.

It reflects a political mood to keep in step with the forces of change. To quote the "Statement of Objects and Reasons" attached to the Bill:

Planning concepts and technological developments have ushered in a new era in the recent decades that necessitates a fresh look into the municipal laws of our land. We have formulated the overall canvas of the town and country planning to which the municipal laws are to conform. Again, the essential municipal services like water-supply system, sewage treatment and the like nowadays involve creation of giant installations having a command area transmunicipal in character and also demanding technical expertise which only a highly specialised body can cater to. In this way, huge capital assets are being created under the aegis of the CMDA demanding a refashioning of the management pattern in the Corporation of Calcutta and also a revision of the connected municipal laws so that the assets so created may ultimately be maintained and harnessed to be used properly. Again the chief functionaries of the Corporation of Calcutta like the Mayor, Deputy Mayor or members of the Standing Committees so long elected for a year at a time could hardly ensure a continuity of administration and left matters mostly to bureaucratic machineries. This also needs to be tuned to the trend of democratisation of self-governing institutions. The impact of all these forces has led to sweeping changes in the concept of municipal laws which have been sought to be given shape in the Calcutta Municipal Corporation Bill, 1979 by retaining all that is of permanent relevance in the Calcutta Municipal Act, 1951, by adding new provisions warranted by changing needs of the day, by altering the existing provisions in the light of fresh concepts and by acknowledging jurisdiction of other sister authorities working in the field of urban development with the civic body of Calcutta.

The statement reflects an eagerness to bring about change in the old set-up. This is something new and deserves commendation; as municipal government in India has remained structurally static since it was first introduced by the British. One can only hope that the new mood will spread all over India and the structure of big city government will be adjusted to the needs of the time. Structural reorganisation is expected to create conditions for able and dynamic political leadership to gravitate toward big city government. Urban

development needs political attention and push, which can come only from capable political leadership. The process of creating special purpose bodies in charge of particular subfields of urban development needs to be halted simultaneously. Politically powerful municipal bodies are sure to demand more powers and resources. It will be a bad policy to revitalise the municipal bodies politically and at the same time to keep them starved of functions and finances. □

Implications of the Mayor-in-Council for City Governance

KALYAN BISWAS

IN A REPORT prepared* in 1971 the IIPA had examined the various alternatives to municipal structural reforms in India. In fact, this report was the outcome of persistent demands being made in the various sessions of the All-India Council of Mayors and the Council of Local Self-Government in the previous years for a structural reform of the urban local bodies in the country. In its report the IIPA had considered several alternatives like the Presidential system, the Cabinet system, and the Committee system, but quite understandably did not come to any specific recommendation since the decision for any structural reform in the urban local bodies should necessarily be a political one and its precise form would also have to suit a specific situation.

Ten years have since gone by and no major effort has been made in this respect. One would be tempted to think that structural change in the urban local bodies did not matter any more and possibly other reforms—both internal and external—have been carried out to obviate the necessity of the structural reform. That such a conclusion would be erroneous need not be underlined. Yet, in all probability, things would have been allowed to drift, as it were, but for the fact that the West Bengal Legislative Assembly has passed in May 1980 the Calcutta Municipal Corporation Bill 1980 which has adopted a Mayor-in-Council form of Municipal Government for the city of Calcutta. This system has very close resemblance to the Cabinet system of government. This has certainly revived interest and debate on the issue of reform of the civic bodies. Indeed, the Bill has been in preparation since the middle of 1978 and during these two years that it took to be finally legislated, the contents of the draft Bill had generated considerable interest in the country. The Bill is now awaiting Presidential assent.

It is not quite self-evident, however, as to why this particular form of government was finally adopted for Calcutta. One would not also

**Cf. Proposals for Model Legislation for Municipal Corporations*, Indian Institute of Public Administration, Centre for Urban Studies New Delhi, 1977.

know as to whether an analysis of the pros and cons of the other possible models were analysed before selecting this particular form. In the absence of any other information it may be presumed that the fact that this form of government was constitutionally prevalent in the country must have finally weighed with the authorities; also perhaps, because the ethos and the mores of this form of government would be more acceptable and in tune with the rest of the country. Evidently the practices and demands of the Cabinet system of government are more known to the political executives and this acquaintance may have prompted the final selection more than any other factor like that of institutional viability and operational efficiency of such a form of government at the city level.

For instance, it is possible to argue that the objectives of 'participation' and 'efficiency', relevant as they have been in the local government throughout the last two centuries, would be achieved in a greater measure in this structure. Nobody, of course, can deny the validity of these two objectives; in fact, the validity if anything has increased; but to what extent they could be conflicting and/or converging would still remain a major area for enquiry in terms of organisational analysis.

Then again, in what way can it be said that the Corporation of Calcutta needed this institutional reform when some other city corporations like Bombay, Ahmedabad, Bangalore, Pune and Madras have not yet felt the necessity of any such reform even though the latter bodies are no less efficient than the former? Is this criterion of efficiency, therefore, independent of the criterion of participation? Can the other civic bodies mentioned be called less democratic than the proposed civic body in Calcutta? Even more importantly, since all the city corporations today have the same kind of structure—the elected councillors in the Corporation, the Standing Committees and the Commissioner—what made the Corporation of Calcutta much less efficient and much less organised than the other bodies given the same structural pattern? The answers to these questions could be the possible areas of further investigations.

Students of organisational science often claim that there is a direct relationship between the structure of an organisation and the processes which that structure is expected to sustain. They would also argue that a change in management structure does not necessarily bring about a change in the management process. Basically, the Mayor-in-Council system, as the Cabinet system of government in the local body is described, is a structural reform and is not an internal management reform. The former does not guarantee the latter. What it does initially, however, is to meet the perennial criticism of the existing structure of the city corporations in India whereby an artificial and legal separation between the deliberative and the executive wing has been carried out leading thereby to contradictions and bottlenecks. If the relationship

between the structure and the process in the local government has to be established and facilitated, in terms of not only external characteristics but also internal management process, then only the political and administrative validity and legitimacy of any institutional reform in the local government can be defended. Our process of enquiry, therefore, will have to be directed towards identifying how through this internal management process the new Mayor-in-Council structure has to be installed and strengthened.

It is important to realise that the implications in reforming the organisational structure of the Corporation, in the form of Mayor-in-Council lie in several important areas. In the first place, the functions of the Corporation and the wherewithals to carry them out along with the regulatory and the sanctioning mechanisms, would be an area which need to be regrouped and redefined. Secondly, the decision-making mechanism itself will be streamlined as the Mayor-in-Council, as a more compact body, would be able to take decisions quicker and hopefully much better, than the array of standing committees. Consequently, the Mayor-in-Council should have opportunities to arrive at comprehensive action programmes at the city level. Within the Mayor-in-Council, however, and given the ethos of party behaviour and political democracy in the country, the Mayor will have considerable freedom to act. Such freedom he could enjoy either by the inherent sanction of the legislation itself or by delegated powers from the Mayor-in-Council, and also by those which he can assume through conventions and his force of personality. Further, if the Mayor-in-Council has been made accountable to the Corporation as a corporate body with the usual parliamentary checks and balances, then the collective responsibility of the Mayor-in-Council along with its accountability to the Corporation will ensure a more responsible and developmental attitude in its work than has been possible hitherto by the standing committees. In fact, all these possibilities have been envisaged and enshrined in the Calcutta Municipal Bill 1980 to a great extent. One must, however, hasten to add that operationalisation of these concepts and practices will depend on an intelligent and responsible leadership primarily that of the Mayor himself, since he will be the political executive at the Municipal governmental level on whom will depend the future success of the Mayor-in-Council system.

But the Mayor will require the Municipal Commissioner to help him in this work. If the decision making mechanisms have to be streamlined and improved, at the level of Mayor-in-Council and the Corporation as a whole (not to speak of any other tier like Borough Committee, which the Calcutta Bill has provided for), then the Municipal Commissioner as the Principal Administrative Officer has to use his supervisory and controlling authority upon other executive heads to resolve the interface problems and assist the Mayor and the Mayor-in-Council to

evolve norms and standards to hold together the diverse functions of the Corporation as also the Mayor-in-Council itself. If the Mayor and the Municipal Commissioner establish rapport between themselves to act, to guide, to control and to take initiative, it will facilitate, envisage and institutionalise the decision-making processes in the Mayor-in-Council and the Corporation. The option rests as much with the Mayor as with the Municipal Commissioner.

It may be tempting to show the analogy of the Chief Minister and the Chief Secretary in this respect. While some of the conventions and the practices at the State Government level in this respect may be worth emulating, it will be improper to extend it beyond what the Mayor-in-Council system would provide. In the State Government the departmental secretaries are primarily responsible to the Cabinet ministers while the Chief Secretary serves as the service and the administrative head in matters where his interventions are sought or he thinks that he should intervene *suo moto*. The officers of the departments of the Corporation on the other hand are primarily responsible to the Municipal Commissioner and through him to the Mayor and the Mayor-in-Council. The choice, therefore, rests with the Mayor and the Mayor-in-Council to what extent they will allow the Municipal Commissioner to act not only as something of a Chief Secretary but also as a Cabinet Secretary (*i.e.*, the instrument of the Mayor-in-Council) and as the Principal Secretary to the Mayor (*i.e.*, the Mayor's own eyes and ears).

Much, therefore, depends on how such relationship and linkages among the Mayor, the Mayor-in-Council, the Municipal Commissioner and other key officers are drawn. The pertinent observation which can be made in this context is that the stimulus for the structural reform of the Corporation has not come from within the Corporation as a body politic itself but more as an external imperative.

It is also significant, at least in the Calcutta case, that the two major structural (*i.e.*, legislative) changes which have been brought about in the Municipal Corporation recently—the one in 1951 and the other in 1980 were both enacted during a period of supersession of the civic body by the State Government. In other words, it is the State Government's own thought process which has been reflected in the legislations affecting the structural reforms and the Corporation has been made to accept it almost as a *fait accompli*. It is also interesting to see that whatever amendments in the existing legislation of the Municipal Corporation have been made so far to improve some aspects of the functionings of the local body, it is not the Corporation as a civic body which has moved the State Government to make such amendments for the improvement of the civic administration, it has been the State Government's own realisation (sometimes on the recommendation of

the Commissioner). The Corporation, therefore, has always been made to admit—without questioning—the consequences of external adjudications upon itself.

It cannot be gainsaid, therefore, that the Municipal Corporation itself, if it were still an elected body, would have pressed for a major structural reform of the kind now effected. As has been found in various studies, the existing pattern of the Corporation—Commissioner—Standing Committee being the three coordinates of the power structure—have also developed a mutually-reinforcing system *albeit* at a particular level of efficiency and integration, which would have generated no forceful pressure on the State Government for a drastic structural reform. Since the participants stand to gain in some measure from the prevalent system, notwithstanding its weakness and inefficiency, and since rewards of any new structural system could not be anticipated and compared with those in hand, the demand for structural reforms by the elected Corporation would have really meant a leap in the unknown and uncertain dark. If this observation is correct then one hypothesis could be that a fundamental structural reform like the Mayor-in-Council is what the civic body, when re-elected, might accept with scepticism as a system to be encouraged and maintained, and therefore, all the institutionalisation of the internal management process which we have been talking about may not be realisable for some time. The structural reforms, in that case, would be seen as a measure which has been thrust by external forces and the thrust of responsibility for its success should, therefore, come from the external sources also. The other conclusion could be that till such time as the new councillors, including the Mayor-in-Council, would be able to locate their power and their respective positions *vis-a-vis* the power groups and the inter-groups within the Corporation body politic, the new structure will be accepted for sometime.

After the calculations have been worked and the bargains have been struck, the elected councillors will revalue the new structure in terms of gains made and the losses sustained and optionally support or detract the new system, as the case may be. All these, therefore, raise the third more important observation, *i.e.*, till such a situation settles down, will the internal management improvement process be also deferred or be proceeded with? What will be the new Corporation's ethos to start with the presence or the absence of which will help or hinder early formulation and quick rooting by the new management process? Here again, the Mayor as a leader of the ruling majority of the Corporation and as the chief political executive, on the one hand, and the Municipal Commissioner as the principal administrative officer on the other, will be required to play a combined role of caution, intervention and the leadership with tact and wisdom on which the initial success or failure of the

new system will depend. In more senses than one, in the Municipal Corporation arena, as never before hitherto, we may yet see a more purposeful co-existence of political judgement and leadership along with administrative management and interventions under the Mayor-in-Council system.

A major contribution of the Mayor-in-Council system of the city government will be to bring back political sanction to city administration. Perhaps, the word 'politicalisation' will be safe to use in this context since all administration takes place in a political atmosphere. Like all developmental administration, city administration also is political in the sense of being involved in resource allocation, resource mobilisation and resource accumulation as in other political activity more commonly understood in the sense of patronage, power and participation. The existing structure of the city corporation perhaps does not admit of political activity in the sense we have proposed to use the word here. Indeed, over the last several decades politics in the city administration and city politics have been mixed up both as concepts and as practices, and have come to be used in common parlance in a pejorative sense. This is unfortunate but this is due to the historicity of the urban local bodies in the country, especially taking into account the tumultuous decades of the 20s to the 50s. Creation of new development authorities with a view to expedite and insulate the development planning and investment processes from municipal politics can be ascribed to this gradual decline of the level of participation, the values of city politics and municipal politics that have been widespread in the country.

City development has, therefore, been seen as something to be kept separate from politics and the original exercise in this respect can, of course, be traced to the creation of the City Improvement Trusts. The institutional reflection of this non-political development processes has been to create nominated bodies for the Improvement Trusts and the Development Authorities. This process was perhaps getting to be counter-productive insofar as, on the one hand, claims for participation were rising and, on the other hand, the level of efficiency of the delivery systems was falling, added to which was the need for more and more complex planning and developmental decisions that were required to be taken. If the Mayor-in-Council, given the political, executive, the decision-making and participatory roles that it could command, helps in the process of a healthy and dynamic restoration of the nexus between development and politics, it can be said to have achieved a very major success in the furtherance of the interests of the urban local bodies.

If this really happens, or at least threatens to happen, it will very directly raise many inter-institutional questions relating to the total city administration framework in which, in addition to the Mayor-in-Council

which will run the city corporation, there may be other institutions, like, the development authorities, improvement trusts, special authorities, concerned with allied functions and sharing the powers of urban planning and development. The task boundaries of these institutions, therefore, will have to be redefined in relation to the identification as to which of all these bodies would be the 'Mother Body' for the city. Obviously, the Municipal Corporation under the Mayor-in-Council will claim to be a mother body which would redefine and re-allocate the resources and activities of other bodies. The basic contention here is that given the existence of local government as a constitutional level of activity, there is very little opportunity to divorce politics from development and attempts should be made so that a convergence of both takes place in the local governmental structure in the form of a Mayor-in-Council City Corporation. Patently, there cannot be plural sources of action and influence-sharing in government.

If the validity of such a level and function of urban local government is accepted, then a new landmark can also be expected to be established between the city government and the state government. Here again, the tradition hitherto in the country has been a mixture of neglect, dependence, mistrust and sporadic interests, which have been mutually reinforced by bilateral misconceptions. The relevant questions in this respect will be: to what extent the state government will be agreeable to decentralise necessary powers and functions? To what extent devolution, sharing and new allotment of resources will be made for the urban local bodies? To what extent the existing attitudinal (as distinct from polemical and rhetorical) differences towards the urban and the rural local government by the same State Government will be maintained? To what extent urban leadership and training will be deemed crucial as part of institutional building? To what extent participation and politicking will be distinguished? To what extent the State Government's own functional roles be allowed to be modified to help in the growth of the urban local government? It will be positively harmful not to recognise that reform of the urban local government, especially like introducing a powerful Mayor-in-Council system in the city corporations, cannot be the end of it. Such a reform predicates certain internal metamorphosis of the State governmental structure and policy thinking in its turn which must be carried out in order not to stultify the growth of the newly reformed organisation. Thus the structural reform of the city corporation should be seen as one way of initiating the reverse process of reforming the structure of at least some parts of the State Government also. If it appears proximate, let it be so; but let it not go unrecognised. □

The State Legislature and the Corporation of Calcutta

SATYESH C. CHAKRABORTY

THE CALCUTTA Municipal Corporation Bill of 1979-80, after being examined by a Select Committee, has been passed by the State Legislature of West Bengal. It is awaiting the approval of the President of India. The Bill intends to rescind the Calcutta Municipal Act of 1951 and to consolidate the functions of the civic body through an elaborate detailing of its obligatory functions. Its distinctiveness from the Calcutta Municipal Act of 1951 is most clearly seen in terms of the departure it suggests in the structure of the top-level decision making body. Instead of Standing Committees, the Corporation of Calcutta will have a kind of a Cabinet form of government. In this paper, we propose to examine the kind of structural changes that the Corporation will require to fulfil the expectations of the legislature.

The intentions of the legislature regarding the Corporation have also been expressed through two other actions. The first of these is the Act 58 of 1978, the West Bengal Central Valuation Board Act, by which an Authority has been set up, outside of the Corporation of Calcutta, to ascertain from time to time the valuation of land and buildings in West Bengal. Considering that real estate constitutes the base of Municipal taxation, we may well appreciate how this Board may influence the powers, responsibilities and resources of any civic body, including that of Calcutta. Then, the Act 13 of 1979, the West Bengal Town & Country Planning & Development Act, will be the fiat for planned development of rural and urban areas in West Bengal and for all matters connected therewith or incidental thereto. The Calcutta Metropolitan Development Authority (CMDA) as an organisation has been empowered to use this legislation within the metropolitan district of Calcutta. The Corporation of Calcutta has been made a constituent member of the CMDA, a function that had been denied to this civic body so far. To respond to the situation created by these legislations,

the Corporation shall require to adopt certain changes in the organisational structure and in the decision making process.

II

The above intentions of the legislature could be responded to effectively by the Corporation on its own strength, if only it were a vibrant institution, capable of sponsoring pro-actions to overcome the burden of accustomed practices that are sustained by the prevailing organisational culture. However, the Corporation of Calcutta is now in a state of limbo. This organisation has been required to function in a superseded state since March 22, 1972. Orders have been issued since then every year, sometimes twice a year (as in 1975 and 1976) by the Government of West Bengal to extend this state of supersession. An impression has thus been created and been made to persist that the Municipal Corporation of Calcutta is incapable of regulating its own affairs competently. Therefore, questions may be raised as to whether the Corporation shall be able to restructure its own functions to fulfil the intentions of the legislature adequately without further assistance.

To appreciate the burden of organisational culture that the Corporation carries, a short review of the experience of supersession may be found useful. In the government declaration of supersession of the Corporation of Calcutta on March 22, 1972, five charges were levied. These are:

1. non-utilisation of funds for capital works consequent upon diversion of a part of it for revenue expenditure;
2. failure to keep a minimum opening balance of Rs. 12 lakhs for the year;
3. failure to raise sufficient resources to meet the basic civic needs;
4. failure to maintain the streets in good repair; and
5. failure to conduct the conservancy services properly.

The first three of the charges are, in one way or the other, related to the gap between expenditure and income. The remaining charges relate to managerial inefficiency. After supersession, the State Government took over the responsibility of management of the Corporation. During this period of direct governance, the State Government publicly and definitively admitted the attributes of the situation facing the Corporation in successive stages.

It was realised that uncontrolled influx of population after Independence (1947), especially of the refugees, was one reason for the rise of revenue expenditure. The collapse of the industrial sector of the economy of West Bengal after 1965 was one reason for the income of

Corporation failing to rise. The Corporation of Calcutta, it was admitted, was in no way responsible for the above two circumstances. From 1972 onwards, the CMDA was directed by the State Government to undertake capital works for the Corporation. The money required for this came from the state exchequer. In 1973, through an amendment of the Calcutta Municipal Act of 1951, the State Government relieved the Corporation of the obligation of keeping a minimum opening balance. In 1974, the State Government induced the Corporation to set up a special directorate of conservancy with enlarged powers. It was strengthened with additional equipment through capital grants from the CMDA. In 1975, the State Government required the Corporation to set up a special directorate of roads and strengthened it with additional grants. In 1976, the State Government finally realised that the Calcutta Municipal Act of 1951 was no longer able to cope with the problems facing the Corporation and with the needs of the people of Calcutta. It was then decided to empower the civic body by overhauling the current law. The Calcutta Municipal Corporation Bill of 1979-80 is the outcome of this realisation.

We consider that at every step the State Government's realisation of the situation that faced the Corporation of Calcutta was rational. The experiences that led to such realisations were the very experiences that the Corporation had, even before it was superseded with the charges of incompetence. Through direct governance the State Government had merely learnt to share the same experiences with the Corporation.

One can argue that the charges levied on the Corporation was unjust even in 1972. One can also argue that the act of supersession based on such charges has been imprudent. But one cannot deny the fact that as a consequence of such actions, the Corporation, like many other civic bodies of West Bengal, has been made to function as a reactive organisation, that which is incapable of acting without external stimuli. It has been made to admit, without questioning, the consequences of external adjudication upon itself. The Corporation has accepted such norms of a reactive organisation and has designed its own functional styles accordingly. These styles are now process bound. Unless these processes are coped with and replaced by new processes, which are to be discovered and institutionalised, the new organisation that the Calcutta Municipal Corporation Bill of 1979-80 will require may not function efficiently or effectively. That the Corporation of Calcutta requires to be assisted to institutionalise the new processes so as to become a vibrant organisation, has not yet been recognised either by the political parties or by the legislative and the executive wings of the Government of West Bengal.

III

Having located the organisation within the socio-political milieu of West Bengal and thus defining what goes by the expression as 'will of the people', we may now examine the assumptions that the legislature had about the Corporation of Calcutta while passing the Central Valuation Board Act and the West Bengal Town and Country Planning and Development Act. Our objective would be to see whether these assumptions were also upheld while passing the Calcutta Municipal Corporation Bill of 1979-80.

The functions of the Central Valuation Board are to assess the value of properties in specific areas, cause to prepare assessment books and to hear and determine all applications for review of assessment. Potentially all areas in West Bengal governed by municipal corporations, municipalities and other similar authorities come under the purview of the Board. All such bodies set up for urban governance are enjoined to assist the Board in performing the functions. Objections by owners and occupiers of land and buildings are to be tendered now onwards to the Board rather than to the particular local self-government or Authority.

The removal of the valuation and assessment functions obviously renders a large number of functionaries within the Corporation redundant. How they should be redeployed within an organisation already overburdened with personnel, has not been suggested. The Corporation has to find its own ways and means to tackle the politics of trade-unionism of West Bengal. The Central Valuation Board, in addition, is entitled to a share of the revenue of the Corporation for meeting its own expenses (Section 19). Therefore, the Corporation has to allocate a sum for this purpose from within its already depleted resources. There is no apparent reason to believe that the Central Valuation Authority will be able to assist the Corporation to enhance its revenue base. It is stated that valuation and assessment will be made under the current Act in force in the area under review. The Calcutta Municipal Corporation Bill in Sections 167 through 171 stipulates all kinds of norms to stifle any general opportunity to increase the revenue through property tax. Economic rent of property has been prescribed as the basis of valuation. However, the rent fixed under the West Bengal Premises Tenancy Act of 1956 has been made the base for determining the valuation of so affected properties (Section 169). A considerable part of the properties are already covered by this Premises Tenancy Act and the rest are the potential clients. The Corporation is authorised to conduct revision of assessment of property periodically (Section 174). But the so revised valuation cannot be legally instituted without the concurrence of the Central Valuation Board. In short, these two legisla-

tions have merely created dual authorities to adjudicate upon the value of the same property.

The above mentioned relationship between the Central Valuation Board Act and the Calcutta Municipal Corporation Bill may suggest that the State Government does not lay much trust upon the Corporation about its ability and willingness to increase its revenue through proper assessment of property. Such a mistrust only exposes a lack of appreciation of the State Government about intimate relationship that obtains between urban land economy and the politics of urban management. To regulate urban development, especially for exercising control over land use, property-taxation is a very competent instrument. The local self-government, as an arena of interaction between power-groups and interest-groups, has means to use this powerful instrument in subtle ways, since it is the elected representatives of the people who will endorse such actions. The Central Valuation Board as a second authority can only constrain the Corporation in this regard, because the Board does not represent the people. Under such circumstance, the Corporation will be considerably constrained to regulate the political economy of a city for obtaining orderly urban growth.

We may now turn our attention to the provisions of the West Bengal Town and Country Planning and Development Act of 1979. To bring the provisions of this Act into force in any area, the Government of West Bengal, by notification, has to declare that area as a Planning Area (Section 9). The Calcutta Metropolitan District, of which the territory under the jurisdiction of Calcutta Corporation is only a part, has been accepted as the Calcutta Metropolitan Planning Area for purposes of this Act. The Calcutta Metropolitan Development Authority has been admitted as the appropriate planning and development authority for this planning area.

As far as the Corporation of Calcutta is concerned, the CMDA is the basic organisation that may be deemed to be capable of promoting actions for orderly urban growth. The CMDA through its development actions can impose its own imperatives upon the Calcutta Corporation, since the new infrastructure to be created by the CMDA will be the responsibility of the civic body to maintain. The fact that the Calcutta Corporation has been hamstrung with regard to the expansion of its tax-base has to be especially noted in this regard. Then, the CMDA, out of financial limitations, will have to opt for investments in some parts of the city in preference to all parts. It may also develop certain infrastructure in some part of the city for purposes of facilitating urban services for that part or for a much larger area. For all such developmental investments, the citizens may be required to pay a development levy. This will immediately bring to the fore the questions related to the identification of the true beneficiaries, the questions related to the

rationality of locational preferences exercised for investment, the questions related to the norms and quality of services, and things in that order. All these questions will hang upon the Corporation to resolve through its elected representatives.

Under the circumstance, the Corporation can hope to reduce its problems by trying to get its own imperatives admitted by the CMDA. To do this, the Corporation has to have both contingency and forward plans prepared in advance and to be sufficiently competent as to somehow influence the preparation and orientation of the development plans that CMDA will recommend so that resources can match demand as far as the Calcutta Corporation's outlay is concerned. If it accepts to do so, then the promotion of orderly urban growth must be taken up as an obligatory function by the Corporation, which has otherwise been described as a discretionary function of this civic body in the Bill (Section 29.u.).

It is true that the Corporation can adopt any or all the discretionary functions as obligatory functions, if it considers so necessary. It can, therefore, set up a planning department in order to make the most opportunistic use of the provisions of the West Bengal Town & Country Planning & Development Act. The point, however, is not that the legislature did not consider the need of instituting a Planning Department within the Corporation as an imperative of the CMDA. It did not stipulate it as it has done in other cases. In Section 115 (2), it has been prescribed to maintain separate accounts for five types of activities. These five activity types do not include planning and development. The substantive meaning of such an omission, seen against the Act 58 of 1978 and the Act 13 of 1979, is that the legislature, while drafting the Calcutta Municipal Corporation Bill, imagined that this institution for local self-government shall not govern, but shall attend only to a list of obligatory functions.

IV

In Section 28 of the Calcutta Municipal Corporation Bill of 1979-80, the obligatory functions of this civic body have been itemised into 25 types. In Section 11(6), five from the above list of functions have been declared as functions of the Borough Committees, which will be constituted of the elected members of the respective boroughs excepting the person(s) to be included in the Mayor-in-Council. These five activities relate to water supply, conservancy, road repairs, drainage and bustee administration. In short, the legislature has expressed its wish to institute a system of decentralised administration for the Corporation in explicit terms.

We may observe that in the matter of functional decentralisation,

the Corporation still enjoys two options. First, the same functional unit (say, an individual worker) may be held responsible both to the Borough as well as to the Central administration. Secondly, functional jurisdiction may be clearly identified and allocated between the two levels. While purists may argue that the first one is no choice at all, it really being centralised authority in the garb of a decentralised one, we still claim that it can be held as a meaningful choice since it offers very clear opportunity to retain central control while allowing the boroughs to have some say. Admittedly, this would be a very easy choice for the Corporation to make, since it would hardly upset any of the existing practices. If the personnel of the Corporation carry any anger about the legislature, it may very well opt for the first choice, although it will be an expression of an impotent anger!

We would like to submit that the second choice is by far the more effective one in the present circumstance. The reasons are obvious. It relieves the central departments of all responsibilities towards attending to day-to-day problems at the local level. It thus leaves the central departments to plan other kinds of work, which are not routine but are important for promoting an orderly urban growth. By granting a relative autonomy to the boroughs in managing their affairs, it can hold the local authorities responsible for local problem, introduce a sense of competition between them and establish certain norms on the levels of achievable efficiency in the provision of services. The second choice also ensures the individual citizen with a greater chance of having his say about what happens in the neighbourhood. If this construct is accepted, then the labour unions will find it convenient, we believe, to uphold the imperatives of personnel deployment that the Corporation shall have to persevere.

Considering these points, functional decentralisation will mean, in operational terms, that for many of the obligatory functions the Corporation must have a central as well as a borough level organisation. Such functions will certainly include conservancy, roads, sewerage and drainage, water supply and bustee-administration as these have been prescribed in the Bill. It may be desirable to ask the boroughs to take charge of all roads, instead of only certain kinds of roads as prescribed in the Bill. The assumption then would be that the central level organisation would provide the integrating activities between departments and boroughs. Extending the logic, then, we may say that from the viewpoint of policy, the same kind of division must be attempted for such functions which by their very nature require it. These may include coordination activities with respect to various agencies, other than the Corporation, which normally carry out diverse overground and underground maintenance/construction works, registration of births and deaths, maintenance of public parks, gardens, etc., collection of revenue, collection and

collation of information, etc. One note of caution, however, is that in the allocation of duties, one borough must not be favoured over another. And secondly, the degree of autonomy granted to the boroughs must be uniformly given to all of them. Such an exercise may be carried out in respect of the discretionary function as well. Such an opportunity to re-interpret the bill exists for the Corporation.

The Corporation has to think deeply about the format of decentralised administration, because the Bill authorises the State Government to supersede the civic body if it fails to carry out any of the stipulated functions efficiently. Then to emerge as a desirable organisation before the citizen, the Corporation has to conduct its business effectively. For efficient functioning, there must obtain line control between the central and borough level departments. But, for effectiveness, there must obtain integration between departments at the borough level. The inter-faces between the service departments are so close, that, without some integrative mechanism, efficient operation may fail to obtain effectiveness. For this reason, there must be an office at the borough level, which will have administrative charge of all the functional departments and its officer-in-charge must be senior enough to command authority at both the levels. To what extent will the incumbents to the diverse departments be able to integrate the line-control between the central and borough level organisation and horizontal-control with borough administration shall depend on how the manuals of operation get designed. We may incidentally mention that the Corporation of Calcutta had their office manuals drafted as late as 1923.

The logic of functional decentralisation will obviously require the Corporation to redeploy its existing staff between the local and the central organisational units for all pertinent departments. Redeployment will also mean re-designing of the job-descriptions and of the measures to be used for evaluating performance of the incumbents to such jobs. Since the existing organisation has hardly any description worth the name for almost any job, we may apprehend that the legacy of the past practices may impinge upon the freedom that the Corporation can believe to enjoy in this regard. Obviously, this will require an institutionalisation of manpower planning as comprehensively as possible.

To emerge as a vibrant institution in the estimate of the citizens of Calcutta, the Corporation has to lay stress on making itself an effective organisation. Since effectiveness is an expression of public appreciation of the functioning of the Corporation, it has to assess the level of peoples reactions, classify these appropriately and advise the monitoring cells accordingly. For this purpose, the Corporation has to establish a department of public relations both at the central and the borough levels. Its job would be to establish linkages with the general public at

various levels and to use these linkages to generate signals for actions to be undertaken by the relevant departments. This department can also be used to conduct appropriate campaigns to mobilise the different interest-groups and power-groups of the city behind the policies sought after by the Corporation from time to time. The Corporation does possess a public relations unit at present. However, in view of the varied dimensions being brought into the work of the Corporation, this unit has to be enlarged and strengthened.

If the Corporation wishes to mobilise the interest groups of the city behind its policies, then it must equip itself with a proper machinery to evolve viable policies. It is in this context that the need for establishing a planning and development department should be seen which should be supported by an efficient management information system. This information system will need to generate data on the level of efficiency achieved by the diverse departments in the conduct of their respective functions at all levels. This can be used as an instrument for monitoring. The information system will need to analyse data on public appreciation of the Corporation as an effective organisation. This can be used for revising policies on the norms of services. The information system will also interpret the urban environment to discover the means for obtaining orderly urban growth for the city of Calcutta. The signals thus generated will be used by the planning and development department to design suitable interventions, which may take the shapes of physical infrastructure, land use control measures, differential valuation of properties by use and location, locationally differentiated licence fees, etc.

Considering the complex interdependence between management information system and planning and development department, both should be placed as closely as possible to the policy framing body of the Corporation. This will imply that the policy framers also learn to relate the policies of a civic body with the political economy of the city that they wish to govern. Only by equipping itself in this manner that the Corporation can hope to overcome its reactive culture, to utilise the Central Valuation Board and the CMDA opportunistically, and to establish itself as an efficient and effective organisation.

V

We may now examine the structure of the policymaking body of the Corporation as envisaged in the Calcutta Municipal Corporation Bill of 1979-80. The structure is decidedly different from what it was according to the Calcutta Municipal Act of 1951. It is useful first to note the differences and then to speculate on how the new structure may

influence the functioning of the administrative departments of the Corporation.

The Corporation constituted primarily of elected representatives is the ultimate repository of power of this civic body. This is true with the Act of 1951 as also with the Bill of 1979-80. The Mayor in both the systems has been deemed to exercise all executive powers of the Corporation. In the Act of 1951, the Mayor was required to exercise this power through a number of Standing Committees constituted of the elected members of the Corporation. In the new Bill, the Mayor shall exercise his power along with the members of the Mayor-in-Council. This Mayor-in-Council shall remain a valid entity as long as the Mayor enjoys the confidence of the Corporation. In both the legislative formats, there exists provisions to constitute the Borough Committees with the elected representatives from the wards belonging to each borough. In the 1951 Act, no statutory function was prescribed for the Borough Committees. We have already mentioned that the new Bill has prescribed a number of obligatory functions for the Borough Committees. There is a provision to constitute a Municipal Accounts Committee formed of members of the Corporation who are other than those constituting the Mayor-in-Council. In addition, the Mayor has been authorised to constitute technical committees and to disband these as and when required.

The basic difference between the old and the new structure of the policy-making body is given by the pattern of linkages between the political and the administrative wings. In accordance with the Act of 1951, the departmental heads were required to interact with the Standing Committees in the presence of the Commissioner. The system proved irksome for the commissioner, because there were too many Standing Committees to attend to or take care of. The members of the Standing Committees were generally eager to encourage the staff of the departments to provide non-official briefs, which, more often than not, impinged upon functional efficiency of the official meetings. Decisions were postponed and actions remained pending unless the Commissioner chose to use the fiat of his superior authority. The number of Standing Committees were made to vary through successive amendments of the 1951 Act in 1953 and 1964. However, some of the Standing Committees cannot be seen as equal to the proposed Mayor-in-Council as in the bill of 1979-80. The Mayor will be much more powerful an office than what it was in the Statute of 1951.

The amendments of the 1951 Act progressively made the Standing Committees on Finance and Establishment more powerful than the other Standing Committees. Consequently, the decisions taken by other Standing Committees could be made ineffective by the Standing Committees on Finance and Establishment. The members of the Mayor-in-

Council shall not be able to establish any such power-differential between them, since the Mayor-in-Council shall be collectively responsible to the Corporation (Section 6).

The Act of 1951 did not stipulate any obligatory function for the Borough Committees. In fact, no Borough Committee was ever set up with any assigned duty. Consequently, the Standing Committees, attached to the Headquarters, had the entire city of Calcutta as their exclusive domain. These could allocate preferences between the parts of the city without any restraint coming from within the political wing. In the new bill, a set of obligatory functions has been assigned to the Borough Committees. This means that the current norms of centralised administration will be required to be radically changed. The norms to share the responsibilities between the administrative wings of the boroughs and the headquarters will have to be framed and established.

It is true that the Borough Committees will discharge their responsibilities under the guidance or direction of the Mayor. It is also true that the members of the Borough Committees will be free to question these directives as members of the Corporation. This only means that the Mayoral directives must not be arbitrary. And, there is only the option open to the Mayor in this regard. He can hope to avoid arbitrariness only by sharing with the elected members of the Corporation the nature of basic opportunities available to make this civic body capable of discharging its functions effectively and to establish itself as a true institution of local government. If the above rationale is not established through participative review, then the Borough Committees in their interaction with the borough level administration may cause unpredictable upsets within the executive wing of the Corporation as a whole.

We may apprehend that the current organisational culture may not assist the Corporation to establish the norms of participative review. An ethos of a monolithic institution pervades almost all the departments of the Calcutta Corporation. Monolith to them is the department, and not the Corporation of Calcutta. All departments are accustomed to uphold the values of centralised control. They prefer to address themselves to the domain, *i.e.*, the social topography of Calcutta with the utmost autonomy for any department. Whenever the need for collaboration with another specialised department has been felt by any other department, probably out of despair, preference has been voiced to add a new wing to the indenting department to take care of the needed specialised service. In short, the spirit of collaboration between departments has been far from spontaneous. However, the supremacy of the department of finance has been generally obeyed to. We have already mentioned that the Standing Committees had ordered the sub-tasks of the Corporation into non-interacting functions. The practices of the

political wing thus obtained a resonance in the practices of the departments. It is this culture that has to be overcome if the Mayor-in-Council and the Borough Committees wish to make the Corporation an effective organisation. The objective of effectiveness can be fulfilled at the Borough level only if effective collaboration is sustained between the departments. Accepting this as the basic task, participative review of the processes or the procedures necessary for transforming a centralised organisation into a decentralised one is called for. This can be best carried out by recognising the boundary that presently separates and that should separate, in future, the local level units from the central apparatus of every department of the Corporation.

The Municipal Commissioner under the provisions of the new bill (Section 38), as the principal executive officer of the Corporation, will have to play a major role in defining anew and in administering the new procedures for decentralised administration. The political executive, *i.e.*, the Mayor-in-Council may not try to encumber this role of the Municipal Commissioner. The new bill intends that the Municipal Commissioner shall exercise all his powers subject to the supervision and control of the Mayor. However, a straightforward conjunction of these two offices may not be forthcoming unless we discern the true meaning of the institution of Mayor-in-Council.

We have already mentioned that in Section 32 it has been explicitly stated that the executive power shall be exercised by the Mayor-in-Council and that in Section 6.5 the Mayor-in-Council has been deemed to be collectively responsible to the Corporation. This may imply that the members of the Mayor-in-Council shall constitute a cabinet and shall look after the business of the Corporation collectively. In Section 33 we find that the Mayor has been empowered, "for convenient transaction of the business of Corporation" to allocate "among the members of the Mayor-in-Council" such business and "in such manner as he deems fit". This may imply that the individual members of the Council shall play the role of political executives within their respective assigned areas. If such an interpretation is made then the strength of the office of the Municipal Commissioner will be seriously eroded and the current practices of the organisation for departmental autonomy will be reinforced.

On a strict interpretation of the provisions of the bill, we find that nowhere has it empowered the members of the Mayor-in-Council to act as political executive. It is the supervision and control of the Mayor, not the Mayor-in-Council, that shall bind the Municipal Commissioner as the chief executive of the administrative wing of the Corporation (Section 38). It is this provision of the bill that makes the Mayor-in-Council somewhat different from the cabinet form of government that we find in the states or at the Centre. The point is to appreciate

this difference and be willing to abide by this very prescription of the bill. For this purpose, the only option that the Corporation has is to draft the rules of business to define the role boundaries of the different components of the top-level management. We may note that the Corporation never had in the past any such rules of business.

VI

The recent notification of the State Government to extend the period of supersession of the Corporation for a further period of six months may not be seen as a disheartening news. The leeway that it provides can be gainfully utilised by the Corporation in preparing the rules, regulations and manuals. It can also utilise the time for reorganising itself for decentralised administration. It can also use this time to institute a training programme for its own personnel. Our reading about the Corporation indicates that many amongst their employees, true to the culture of a reactive organisation, have not even seen the new bill. Admittedly, they have to understand what the State legislatures wants them to be. We conclude this paper with the hope that the Corporation will use this opportunity and would try to emerge as a true institution of local self-government, which the citizens of Calcutta need so badly. □

Structural Changes and Performance Characteristics: Prospects for Mayor-in-Council in Calcutta Municipal Corporation

D.D. MALHOTRA

AMONGST THE municipal corporations of India, Calcutta Municipal Corporation is unique in many ways. Its history is closely knit with the vital role the city played as a capital of India till 1912, as a base for educational, social and political renaissance, in providing leadership to the freedom movement and in being a nerve centre for economic activities of a large and densely populated part of India. The portrait of the history of its structural changes, the type of which no other municipal corporation has experienced, gives the deep impressions of conflicts arising out of the impulses behind local government idealism and those dictated by the expediency of governance at higher level, triggered by the gap between the expected behaviour of the formal structure and the power dynamics of the civic leadership and various elite groups. The city, its local government and the civic administration have suffered in the process. The Calcutta Municipal Corporation Bill 1980 is the latest attempt, amongst a series of those made since the Calcutta Municipal Act of 1899 (the Mackenzie Act) in introducing structural reforms with a view to obtain improvement in the performance of the Corporation. An attempt in this article is made to highlight some of the factors critical to the performance of Calcutta Municipal Corporation and examine the likely impact of the envisaged structure under the Bill of 1980.

In viewing the performance characteristics of local bodies, it is necessary to keep a distinction between their intrinsic weaknesses and imposed infirmities, since the former may be effect of the latter in some cases, the cause in others, whereas cause and effect relationship may be extremely complex when the State Government and its bureaucracy has little willingness to share power and influence with local government institutions. If their dependency on State Government is perpetually

fostered by the inadequacy of their financial resources arising out of the limited scope of their revenue base, and if their role and functions are circumscribed and their importance reduced by more powerful State Government agencies operating within their jurisdiction, structural surgery may have only a marginal effect on their performance unless the structure of state-local government and inter-organisational relationships are brought in line with the objectives of the reforms. The changes incorporated in the Calcutta Municipal Corporation Bill are based on the assumption that intrinsic weaknesses of the Corporation arise out of its structural dysfunctionalities. The prospect for its performance improvement is heavily based on the validity of this assumption. An analysis of its structural changes carried out in the past would help in formulating certain propositions against which the characteristics of the new system can be examined.

THE SOURCES OF CORPORATION'S STRUCTURAL DILEMMA

The first time the structural controversy in the history of the Corporation was triggered off by the Bengal (The Calcutta Municipal) Act No. III of 1899 (the Mackenzie Act), when it substantially curtailed the powers of the elected representatives, it discarded the earlier constitution of the Municipal Act of 1888 which vested the powers in the Council without granting any specific powers to the government appointed Chairman who was also the executive head. The breakdown of municipal administration, under this system was attributed to the paralysis and demoralisation of the officers and staff caused by the proliferation of committees, the way they functioned and the councillors "who came forward to contest elections not out of love for the public service, but of a regard for their own personal advantage. When it came to the question of making appointments in the municipality, there was canvassing, there was jobbery, there was even corruption".¹ It was expressed that "No reasonable being can suppose that an executive, hampered by the possibility of interference by any one of a series of multifarious committees, and watched by a complaints committee which any grievance-monger can set in action, can administer successfully the affairs of a great city".² The dominant objective of the Act of 1899 was to reduce the Commissioners' (Councillors) 'break-power and to add the vigour to the executive authority'. It had before it the Bombay model as laid down under Bombay Municipal Corporation Act of 1888 which separated the executive and the deliberative wings and distributed the statutory powers amongst the three

¹Keshab Choudhuri, *Calcutta: Story of its Government*, Orient Longmans, New Delhi, 1973, p. 170.

²Mr. Risley on 19th March, 1898, Bengal Legislative Council Proceedings (1898), p. 34 quoted from, *ibid.*, p. 167.

coordinate authorities, that is, the Corporation, its Standing Committee and the Commissioner appointed by the government leaving out the Mayor as head of the deliberative wing and as the first citizen occupying essentially a ceremonial office. The predominance of the Bombay model can be best gauged by the fact that it has been widely followed, even after colonial rule, in shaping the destiny of the municipal corporation in India. Its extension to Calcutta was extensively debated and its modified version was first introduced through the Calcutta Municipal Act of 1899. It incorporated those features of Bombay model which were considered unpopular and left out the provisions which popularised the system. It established the three coordinate authorities—the Chairman (government appointed official), the Corporation (the Council) and its General Committee, both of which were presided over by the Chairman. Thus, the Chairman became the pivot around which the deliberative and the executive wings functioned. The powers of the Council were curtailed and extensive state control was introduced. Even though the Corporation enjoyed lesser autonomy than the Bombay Municipal Corporation, its General Committee was vested with more powers than its Bombay counterpart—the Standing Committee, in framing bye-laws, in matters of contracts, appointments, appeals, etc. As a protest against the new constitution, elected representatives including Sir Surendra Nath Banerjee resigned from the Corporation.

Despite the enormous unpopularity of the new structure, substantial and significant administrative reorganisation was carried out. For the first time, the work of the Corporation was decentralised by setting up four districts, each having a district health officer, a building surveyor, an engineer with their respective establishment representing health, building and newly amalgamated engineering and conservancy department. The creation of district committees comprising of local councillors was attempted, but enjoying no powers, they did not function. The improvements in the administrative system were overshadowed by the unpopularity of and controversies over the governmental structure which combined the deliberative and executive leadership in the government appointed Chairman who could hardly satisfy the demands of both the functions. The Decentralisation Commission of 1907 noted the popular demand for change and recommended a government structure similar to the Bombay Model and finally, the Calcutta Municipal Bill of 1917 was introduced in the Legislative Council with a view to implement its recommendations. The Bill was, however, withdrawn in view of the constitutional development in India following the Montague-Chelmsford Reforms under which the Local-Self Government became a transferred subject.

DEMOCRATISING THE LOCAL SELF-GOVERNMENT : SUPREMACY
OF THE COUNCIL OR THE COUNCILLOR?

The structure of Calcutta Municipal Government was subjected to radical changes by Sir Surendra Nath Banerjea, who, as the first Indian Local Self-Government Minister, was the architect of the Calcutta Municipal Bill of 1921, which became the Act of 1923. His design was shaped by his objective 'to establish in this great city, the essential principles of democracy—the government of the people, by the people and for the people'. He further stated at the time of introducing the Bill that "you cannot have an advanced modern system at the top with mediaeval formulae working vigorously at the bottom. You cannot have a golden turret mounted on a decaying and crumbling edifice. Our self-governing institutions must form a compact, consistent and harmonious whole".³

The new legislation had the following structural characteristics of the municipal government of Calcutta:

- (a) The supremacy of the Council was restored to what it was prior to 1899 by vesting all the powers in it except those relating to assessment and elections.
- (b) The position of the Chairman was abolished. Its deliberative and executive roles were split. The deliberative wing was to be presided over by a Mayor to be elected by it while a chief executive officer was to be appointed as the head of the executive wing.
- (c) The powers of appointment and termination and of determining the salary and conditions of service of the Chief Executive Officer vested in the Council. However, the exercise of these powers was subject to the approval of the Provincial Government.
- (d) The General Committee was abolished. The Council could determine and delegate any of its powers and duties. The provision was also laid down for constitution of district committees comprising of councillors representing constituencies within the districts. It was expected that the Council would delegate adequate powers to them in order to play a crucial role in carrying forward the movement of bringing the government nearer to the people.

Apart from these changes, the size of the Corporation and its jurisdiction were expanded. The amendments to this legislation between 1923 and 1947 did not alter this basic structure. But some of them

³Keshab Choudhuri, *op. cit.*, p. 337.

did reflect the conditions while others increased tensions and sharpened the conflicts, particularly those arising out of the introduction of communal electorate, under which the structure was to operate.

Since the authority of the Corporation was concentrated in its Council and functionally scattered amongst its various Standing Committees, the performance of the system became critically dependent upon the way councillors perceived the authority and exercised it. The authority had essentially two components: one, the authority to lay down policies and to ensure accountability of the executive system, and the other, the authority to execute the policies. It was for the collective bodies, the Council and its Standing Committees, to evolve their role primarily around the first component and delegating the second to the executive system. But if the perception of each councillor failed to recognise the distinction between the two components of authority and led him to believe that it was he who was the source of authority and not the collective body of which he was the part, the inevitable consequences would be the total fragmentation of both the deliberative and executive wings despite strong structural linkage between the two through allocation of formal authority. The necessary integration within the system, under the circumstances, could only emerge out of a pattern of leadership skills and behaviour which could articulate those values of political conduct and exercise of authority that were independent of parochial and particularistic bases of securing power in governmental structure.

While Mackenzie Act of 1899 was based on the disbelief in the integrity of character of the councillors, the new Act rested on a faith that the democratic structure would create conditions for the emergence of the desired leadership pattern, cause the transformation in perception of authority from personal to institutional context, and thereby evolve necessary congruence between political structure and behaviour compatible with it. Unfortunately, none of these logically deduced normative propositions by themselves had the operational force to neutralise the pressures of realities which were being shaped by the 'unfavourable climate of abnormal political and social circumstances',⁴ of Calcutta city. The assumption of institutional authority by the councillors without the voluntary restraints essential for its collective exercise effectively and the absence of articulation of certain superordinate goals linked which organisational objectives, left each councillor to freely respond to the social cleavages and narrower interests of a limited electorate or his personal goals. It left a wide scope for nepotism and corruption to permeate through all the quarters of municipal administration. The councillors "took the task of administration in their own hands and

⁴Ali Ashraf, *The City Government of Calcutta: A Study of Inertia*, Asia Publishing House, Bombay, 1966, p. 80.

though not in actual touch with departmental work, they appointed and promoted the staff".⁵ On the other hand, the tension and conflicts between the elected and nominated councillors, worsened by the injection of communal electorate and widespread factionalism were the conditions under which the superordinate goals for collective exercise of authority were external to the organisation. 'The Corporation was used as a platform for national rather than civic causes and its leaders courted arrest and imprisonment not so much in the interest of a city in distress as in the interest of a nation in making'.⁶ While it created and fostered strained relationship with the Provincial Government, the internalisation of these goals for the purposes of giving policy and direction to executive system excessively politicised the civic administration impairing its ability to function. Under the circumstances, those very aspects of structural strength of the constitution under the Act of 1923, which sought to install democratic local government institution became the characteristics of its defects and weakness for achieving specifically stated obligations to deliver civic services. Its internal deficiencies got aggravated and exposed by its failure to deal with abnormal conditions caused by massive influx of people to Calcutta during the Bengal Famine of 1942-43, World War II and the partition of the country in 1947. The collapse of the system was recognised by the Mayor of Calcutta when in 1947 he admitted severe financial crises and made serious allegation of maladministration against the councillors and the civic officials. In 1948, the State Government instituted a Commission of Inquiry (Biswas Commission) with a view 'to investigate and report to government on all matters relating to finance and administration of the Corporation and the working of the Act of 1923.

Biswas Commission held the councillors responsible for the 'deplorable conditions' and for reducing the position of the chief executive officer to that of abject dependence and powerless 'to withstand their threats and their blandishments'. It further observed that 'the Corporation executive must no doubt also bear their share of responsibility for what has happened, but the root cause of the malady afflicting the Corporation most . . . be ultimately traced to the councillors who in fact exercised a most baneful influence over the Executive'.⁷ It laid stress on need to improve the quality of councillors and the separation of the legislative and executive functions in order to prevent the abuses and malpractices which had crippled the functioning of the civic body. The strong belief that the Bombay Model would be suitable to effec-

⁵Ali Ashraf, *op. cit.*, p. 80.

⁶*Ibid.*, p. 80.

⁷West Bengal, Local Self-Government Department, *Report of the Calcutta Corporation Investigation Commission*, Alipore, 1950, Vol. 1, Part I (Interim Report 1950), p. 2.

tively satisfy Calcutta's need shaped the basic design of the Corporation's structure under the Calcutta Municipal Act of 1951.

ECOLOGICAL EFFICACY OF BOMBAY MODEL

While continuing to vest the municipal government of Calcutta in the Corporation, that is, its Council, the Act of 1951, as in the case of the Bombay Model, laid down that it "shall not be entitled to exercise or discharge any powers, duties or functions expressly assigned by or under this Act or any other law to a Standing Committee or to the Commissioner".⁸ It was assumed that the Bombay Model of separation of deliberative and executive functions and of having an independent Commissioner, belonging to and appointed by the State Government, as head of the executive wing enjoying statutory powers, would be the most effective form of civic government for Calcutta. In fact, such an assumption has become the bases of adoption of the Bombay Model for designing the urban local government for the larger cities of India, despite the data which tend to contradict this assumption. While the Bombay Municipal Corporation continues to function with a credibility lending strength to the assumption, the majority of 49 municipal corporations in India, however, remain under supersession indicating its invalidity under different ecological conditions and criticality of some factors independent of its structural design.

The Sattanathan Committee, set up to examine the administration of Madras Municipal Corporation, which had also adopted the Bombay Model, observed that "it is impossible so make a clear demarcation between the deliberative wing and the executive wing. In the system of autonomous administration as contemplated in the Act, the Deliberative Wing is the Mayor, Council and Committees, are not simply a subordinate legislature or a mere rule making body. The Council is also an administrative body exercising powers unlike the state legislature".⁹ It observed that "the Council directly controls and directs the administration both by its resolutions and through the proceedings of the Committees, and work of every department comes within the control, direction and criticism of one committee or the other".¹⁰ These features of the Bombay Model were held responsible for the politicisation of the day-to-day administration, which in turn, was considered as the root cause of "the deterioration in discipline amongst the officers and the staff". The malady was attributed to "a deep rooted belief amongst certain section of councillors and political aspirants, that the councillors constitute the supreme authority as far as Corporation affairs

⁸Sec. 24(1) of the Calcutta Municipal Act, 1951.

⁹*Report on Madras Corporation Administration*, Government of Tamil Nadu, Madras, 1978, Vol. II, p. 414.

¹⁰*Ibid.*, p. 365.

are concerned and, therefore, every councillor should have a say in acceptance of tenders, in selection of contractors, in the appointment of all grades of officers and staff other than those appointed by the State, notwithstanding the statutory provision that the Commissioner is the Chief Executive".¹¹

If the intention behind the adoption of the Bombay Model through the Calcutta Municipal Act of 1951 was to insulate the executive from the 'baneful' influence of the councillors and to reduce the scope of politicisation of the day-to-day administration, the observations of the Sattanathan Committee in the case of Madras, reveal its limitations. While examining the causes of inertia in the case of Calcutta Municipal Corporation, Ali Ashraf attributes them to the ten major disabilities.¹² The following three disabilities which flow from the structural characteristics of the Bombay Model are:

- (i) the separation of the legislative and executive powers in a manner that renders unified and sustained civic leadership impossible;
- (ii) the duality of government between popularly-elected representatives and a chief executive officer appointed by the State Government, which encourages irresponsibility, 'buck passing' and deadlock;
- (iii) the lack of a pivot or centre of decision-making, as municipal government is divided between three coordinate authorities, of which the Corporation has in practice abdicated its responsibilities and is in any case too unwieldy a body for decisive action, the several Standing Committees are distinct and uncoordinated cells of ineffectiveness, and the Commissioner is a frustrated independent.

Another important disability which as well be shared by other civic bodies is "the narrow scope of Corporation functions, which limit its authority in the city, and encourages a feeling of indifference within and towards it; and the paucity of its financial resources, which renders it incapable of exerting what little authority it does possess". In any case, the Calcutta Municipal Corporation was superseded in March 1972. From amongst the five charges of incompetency and four of persistent defaults,¹³ one of the most crucial to all, was the charge of its "failure to raise sufficient funds to meet the basic needs of the citizens. The powers of deliberative wing were conferred on an adminis-

¹¹ *Report on Madras Corporation Administration, op. cit.*, p. 371.

¹² Ali Ashraf, *op. cit.*, pp. 79-80.

¹³ For details see Sivaprasad Samaddar, *Calcutta Is, The Corporation of Calcutta*, Calcutta, 1978, p. xiv.

trator appointed by the State Government. The basic assumption again is that, it is the deliberative wing which is responsible for the poor performance of the civic body.

Supersession, instead of the review of the basic structure, has been the common response of the State Governments. The Sattanathan Committee examined the Cabinet system as an alternative for introduction of a responsible government. It observed that "one argument in favour of this system is that when power and responsibility are combined, politicisation or indirect pressures to exercise patronage will diminish. When a councillor becomes responsible for a department or a group of departments, he will realise his limitation and appreciate the need for financial discipline. The officers need not suffer indirect pressure, but obtain formal written order..." But the Committee was quick to point out that "However attractive this idea may be, we think it is premature to try this experiment".¹⁴ Bengal has a different tradition, and its government, in keeping with the tradition, has chosen to adopt the alternative structure for the Municipal Corporation of Calcutta and it is to be seen as to how its performance characteristics undergo change.

CHALLENGES BEFORE THE MAYOR-IN-COUNCIL

There is no doubt that the most critical performance characteristics of a system are its capacity to mobilise its resources and productivity in their use. The autonomy and the performance of the local government are closely linked with the health of their financial and personnel administration. There may be legal or other external factors which inhibit the local body's efforts or determine the scope of raising its resources particularly its revenue income. Within these limitations, however, if a civic body fails to tap the available resources from within the city, it would obviously continue to financially starve with a crippling effect on its ability to maintain the existing level of services, and cope successfully with the internal tensions and external problems arising out of the consequent low credibility.

The comparative data of growth of revenue income and expenditure between 1960-77 of the municipal corporations of eight metropolitan cities of India given in Appendix I reveal that:

- (a) Percentage growth rate of income and expenditure, as summarised in Table I, is the lowest in the case of Calcutta.
- (b) While in the case of first three cities, that is, Bombay, Delhi and Pune, the percentage growth rate of revenue income is higher than that of the expenditure, in the case of other cities, the expenditure

¹⁴ *Report on Madras Corporation Administration, op. cit.*, p. 372.

has grown at a faster rate than the revenue income.

(c) Except in the case of Bombay during 1960-61 and 1970-71 and Bangalore during 1975-77, when revenue income has been more than the expenditure, in other municipal corporations, during the period 1960-77, the expenditure has exceeded their revenue income and the gap between the two is widening, indicating their growing dependency on the grants from their respective State Governments.

TABLE 1 PERCENTAGE OF GROWTH OF REVENUE INCOME
AND EXPENDITURE (1960-61 TO 1976-77)

| <i>City</i> | <i>Income</i> | <i>Expenditure</i> <i>1960-61 = 100</i> |
|--------------|---------------|--|
| 1. Bombay | 881.48 | 718.43 |
| 2. Delhi | 791.00 | 697.22 |
| 3. Pune | 717.31 | 714.69 |
| 4. Bangalore | 593.18 | 737.92 |
| 5. Ahmedabad | 570.86 | 728.81 |
| 6. Kanpur | 349.64 | 378.84 |
| 7. Madras | * | 825.15 |
| 8. Calcutta | 235.05 | 259.34 |

*In the case of Madras, the data for 1970-71 are available and an increase of 282.55 per cent in income had already taken place by that year.

The Calcutta Municipal Corporation has not only the lowest growth rate of revenue income and expenditure in monetary terms but also in real terms. If we apply the price index of 1960-61 as 100 and deflate the data for the subsequent years, the revenue income and expenditure has been declining. At the present level of its financial resources and growth rate of its revenue income, the Calcutta Municipal Corporation cannot be expected to prevent the deterioration in the standard of civic services. The setting up of special agencies such as the Calcutta Metropolitan Development Authority, the Calcutta Improvement Trust, the Calcutta Water and Sanitation Authority, Town and Country Planning Department, The Slum Clearance Board, etc., to finance or undertake the improvement of civic infrastructure can supplement the efforts of the Corporation as they have done in the past. But the continuation of the existing pattern of fragmentation of otherwise highly interrelated civic functions amongst these more powerful state agencies and the existing areal base of the municipal corporation, will leave with it those range of functions that offer limited scope for the demonstration of significance and importance of the major reform attempt in the design of urban government particularly for metropolitan areas. The basic challenge before the new system, which is intended to attract better

leadership than in the past, and articulate and strengthen the leadership role through restructuring the decision-making processes is to increase its revenue income. If the new system does succeed in getting a strong leadership for meeting this challenge, it would, however, soon discover that it must secure reordering of inter-organisation relationship within Calcutta Metropolitan District, without which it would be difficult to build the credibility of the new system. One of the most crucial factors in the success of the Bombay Model is the dominant role of its Corporation in inter-organisational relationship within Bombay Metropolitan area. If Mayor-in-Council system is to prove better than the Bombay Model, for the governance of metropolitan cities of India, it is doubtful whether it will get a fair opportunity to do so unless the existing conditions imposed by more powerful state agencies undergo modifications favourable to its role. Nevertheless, the capacity of new system to increase the revenue income of the Corporation of Calcutta, within the above constraints will remain an important test of its success.

Another important characteristic of performance is the productivity in the use of resources mobilised. One of the indicators of this characteristic is the percentage of revenue income and expenditure spent on establishment. The data on total wages and salaries paid to all employees which constitute the establishment expenditure and the rate of its growth during the period 1960-61 to 1976-77 are given at Appendix II. It also gives the establishment expenditure as a percentage of revenue income and expenditure. It will be observed that in the case of Calcutta only, the establishment expenditure was in excess of the Corporation's total revenue income during 1970-71 (108.59 per cent) and 1975-76 (106.23 per cent). While in the case of Bangalore, Bombay, Ahmedabad, and Pune, the percentage of revenue income and expenditure spent on establishment varied from 27 to 45 per cent during the period 1960-76, in other municipal corporations, the variation has been from 45 to 108 per cent. Table 2 gives the comparative data for the year 1976-77.

While Delhi and Calcutta Municipal Corporations were spending a large proportion of their revenue income and expenditure on establishment, its rate of growth in 1976-77 over 1960-61 has been 897.99 per cent in Delhi as compared to 370.17 per cent in the case of Calcutta. But Delhi had mobilised during the same period more resources than Calcutta; the increase in revenue income and expenditure being 791.00 per cent and 687.22 per cent respectively in comparison to Calcutta's 235.05 per cent and 259.34 per cent. Even if we recognise that civic services by their very nature involve higher establishment expenditure, it can thus be assumed that at the same proportion of establishment expenditure to revenue income and expenditure, there has been more expan-

TABLE 2 ESTABLISHMENT EXPENDITURE : ITS GROWTH AND
RELATIONSHIP WITH REVENUE INCOME AND EXPENDITURE
(1976-77)

| | Establishment expenditure as a percentage of: | | Percentage increase of Establishment Expenditure over 1960-61 = 100 |
|-------------------------|--|-------------|--|
| | Revenue Income | Expenditure | |
| 1. Bangalore | 34.43 | 34.29 | 1114.53 |
| 2. Bombay | 35.91 | 45.81 | 915.68 |
| 3. Ahmedabad | 37.27 | 32.80 | 782.15 |
| 4. Pune | 42.44 | 37.49 | 727.96 |
| 5. Kanpur | 60.55 | 50.14 | 347.60 |
| 6. Calcutta | 88.37 | 65.95 | 370.17 |
| 7. Delhi | 89.31 | 65.86 | 897.99 |
| 8. Madras* (1970-71) | 50.27 | 47.34 | 314.54 |

*In the case of Madras, the data given relate to the year 1970-71 and as such they are not comparable with those of other cities. For the relative position, the data for 1970-71 for other cities given in Appendix II should be relied upon.

sion in the capacity to spend on civic services in Delhi *vis-a-vis* Calcutta Municipal Corporation.

The data on these performance characteristics during the period 1960-61 to 1976-77 do not conclusively suggest that the performance of the municipal corporations superseded or during supersession has been better than when not superseded or those not superseded. In fact, in the case of Calcutta, the supersession in 1972 had little subsequent effect on the grounds on which it was superseded. Three years after the supersession, the Commissioner of the Corporation observed that "Our financial position started deteriorating right from the time of supersession".¹⁵ He further observes that the Calcutta Municipal Act of 1951 give "by construction and theoretically most executive power" to the Commissioner causing "centralisation for guarding against subversion of authority by the elected. In fact, the poor Commissioner is more vulnerable to union pressures, particularly, when the balancing factor of councillors is not available during supersession".¹⁶ The Calcutta Corporation has highly politicised and unionised employees partly as a product of its own historical evolution discussed earlier and its impact on its internal management and partly aggravated by the changes in its political environments since 1951. The Corporation structure under the Act of 1951, whether under supersession or not, apparently did not give it the capacity to deal with the power of the employees' unions, causing a major imbalance between the revenue income and establishment expenditure.

¹⁵S. Samaddar, *op. cit.*, p. 29.

¹⁶*Ibid.*, p. 2.

Personnel policies and practices shape and are shaped significantly by the employer-employee relations. Failure of the administrative system to evolve sound personnel management policies and practices, lead to ad hocism in decision-making in response to specific pressures, throwing open the entire range of the personnel functions subject to collective bargaining. Stretched over a period of time, this trend could cause major distortions in the administrative structure and task systems within it, apart from creating a general climate of confrontation between the employees and their employer. In the case of a Municipal Corporation the question arises: who are the employers for the purposes of negotiation and settlement with the employees' unions on various issues having a bearing on the performance of the organisation? The Commissioner is the head of the administrative system. He may be assisted by a few officers, who like him, have been deputed by the State Government to the Corporation. Rest of the officers may themselves be the beneficiaries of the collective bargaining process insofar as the demands relate to matters connected with recruitment, promotion, salary structure, etc. In the case of Calcutta Municipal Corporation, the elected council or the Mayor could not risk the displeasure of the electorate in case of a strike by its employees paralysing the civic services crucial to day-to-day urban living. Nor its political and administrative structure offered strength to those engaged in negotiation with about eighty unions representing the municipal employees. While under supersession in 1974, the Commissioner, who was also entrusted with the powers of the deliberative wing, observed that "The unions feel that only a bureaucrat in the shape of a Commissioner is standing between them and the goal of getting as much as possible by way of pay and allowances".¹⁷ When he raised the question "To whom does Calcutta belong—the 33 thousand Corporation employees or the 33 lakh citizens?", the response of the unions he felt was that "the Corporation cannot exist without workers and employees... It is not the look out of unions whether rules and regulations exist or not, whether and how regulations are framed or amended...".¹⁸ While the industrial relations went on deteriorating, prior to supersession and subsequent to it, conceding to the unions' demands after a strike or in order to prevent a strike, causing establishment expenditure to blow out of proportion to the capacity to mobilise additional income, there was no organised attempt within the internal management structure to put all the issues or ad hoc decisions in a proper perspective for better personnel management. Intriguingly, it were the employees' unions which demanded the setting up of a Personnel Department for this purpose and which eventually was set up in 1974.

¹⁷S. Samaddar, *op. cit.*, p. 2.

¹⁸*Ibid.*, p. 5.

Instances are not few or confined to the Calcutta Municipal Corporation, when the failure of the administration to discharge its responsibility in regard to personnel functions had led to a series of demands on matter falling within the purview of this responsibility. Rules governing various aspects of recruitment, promotions, transfers, disbursement of benefits, and service conditions are meant to promote and provide norms for ensuring objectivity, impartiality and fairness in decision making. Where such norms have not yet become the dominant values of social and individual conduct, the formal organisation has to cultivate them through adoption of the rules. Frequently, it is observed that while the allegations of widespread nepotism, favouritism and corruption are voiced, the rules are either not framed or updated or are discarded wherever possible to allow the maximum unbridled discretion to the decision-makers. The bases of decisions and the ad hocism which they inevitably invite, breed discontentment amongst employees and lend legitimacy even to those demands of the trade unions which are difficult to be rationalised.

THE BASES OF THE NEW STRUCTURE AND ITS SALIENT FEATURES

The potential of the new structure to influence significantly the performance characteristics of the Calcutta Municipal Corporation primarily rests on the following propositions which constitute the bases of its design.

- (i) The political structure should be such that: (a) it creates a leadership role which can effectively link the deliberative and executive wings; (b) the executive functions of the leadership role will attract elected councillors with a quality of skills and talents which is necessary for interest aggregation and for coherent and purposive policy, direction and control over administrative system; (c) the accountability structure does not inhibit the growth of leadership role and skills or excessively constraints their exercise, while it does not act as a corrective mechanism without giving the 'break-power' to the councillors as witnessed under the previous legislations. It should thus be more performance-oriented than concerned with scrutiny of day-to-day administration, (d) By combining the political power and executive responsibility in a clearly identifiable and accountable body, the system will rely less on ad hocism created by impulses to meet immediate expediency and it will demonstrate better capacity for policy planning and implementation. It will also become politically effective to negotiate and settle relationship between the Corporation and its multi-

tudes of employees' unions on a basis more favourable to the productivity in civic services.

- (ii) While the statutorily autonomous executive wing is detrimental to the development and functioning of local government, it still needs state's protection to discharge its role effectively. Moreover, there should be a congruence between the statutorily defined and functionally operative political and management structures.

The strength of these propositions is essentially derived from the historical experience of the working of the Calcutta Municipal Corporation in the past and implicit in them are the assumptions regarding the working of the new design envisaged under the Calcutta Municipal Bill of 1980. It is in this context that substantial differences in the salient features of the old and the new system become apparent.

While in the earlier legislation, the Municipal Commissioner was one of the three statutory authorities, the other two being the Corporation and the Standing Committee, the authorities are now the Corporation, the Mayor-in-Council and the Mayor (Section 3). Thus, the various Committees which caused the fragmentation of the management structure and the autonomous character, of the executive wing derived from the recognition of the Municipal Commissioner as one of the statutory authorities, disappear in the new system.

The Mayor-in-Council comprises of a Mayor to be elected by the Corporation from amongst themselves (Section 6) and a Deputy Mayor and not more than ten other elected members of the Corporation to be nominated by the Mayor (Section 8). The deliberative wing is to be headed by a Chairman to be elected by the Corporation from amongst its elected members. Thus, Mayor is no longer the head of the deliberation wing. The executive powers of the Corporation which earlier vested in the Municipal Commissioner are now to be exercised by the Mayor-in-Council (Section 32) which is to be collectively responsible to the Corporation (Section 8). The major instrument of ensuring the collective responsibility, however, is through the passing of a resolution by the Corporation in accordance with Section 7 removing the Mayor from office. The main stress is, thus, on the accountability of the Mayor, even though a wide range of powers vests in the Mayor-in-Council. To strengthen the leadership role of the Mayor, it is required that the Mayor-in-Council is to be presided by him (Section 34) and he is empowered to allocate the business to the members in the Council as he thinks fit (Section 33). He can remove from office any of the members in the Council including the Deputy Mayor (Section 9), and he can fill any vacancy caused by the death, resignation and by removal of any member (Section 8). If a Mayor ceases to hold office, the newly elected Mayor

constitutes his own Council (Section 9). The term of the Mayor and his Council is coterminus with the term of the Corporation or the unexpired term of the Corporation.

While the Municipal Commissioner was an independent authority in the earlier legislation to ensure that the executive administration did not suffer from a diffused accountability structure and a fragmented leadership role, in practice, however, the committee system of the political structure caused its extensive fragmentation. Both, the committees and the Municipal Commissioner could not simultaneously assert their leadership role without causing friction and, at times, paralysis in the working of the Corporation in the absence of conventions which could act as lubricant of goodwill. Since the executive powers vest in the Mayor-in-Council, the Municipal Commissioner, though recognised as the principal executive officer of the Corporation, is to exercise his powers subject to the supervision and control of the Mayor (Section 38). The accountability of the Municipal Commissioner to the Mayor and not to the Mayor-in-Council is again intended to strengthen his leadership. On the other hand, all those standing committees which functionally fragmented the executive management do not appear in the new design. The Bill provides for a Municipal Accounts Committee to examine and scrutinise the accounts of the Corporation and the report of the Auditors. However, Borough Committees are now statutorily established and assigned certain obligatory functions. The Corporation has, therefore, to evolve a decentralised pattern of executive administration.

The top echelons of the Corporation's organisation are statutorily specified. The Bill provides that the Corporation shall have the following officers, namely: (a) the Municipal Commissioner, (b) Joint Commissioners, (c) the Controller of Municipal Finance, (d) the Chief Municipal Auditor, (e) the Municipal Engineer-in-Chief, (f) Deputy Municipal Commissioners and Chief Municipal Engineers, (g) the Chief Municipal Architect, (h) the Chief Municipal Health Officer, (i) the Chief Municipal Law Officer, and (j) the Municipal Secretary. The Municipal Commissioner, a Joint Municipal Commissioner, the Controller of Municipal Finances and the Chief Municipal Auditor are to be appointed by the State Government in consultation with the Mayor-in-Council from amongst persons who are or have been in the service of the government. Other officers are to be appointed by the Mayor-in-Council in consultation with the State Public Service Commission or by the State Government, if so desired by the Mayor-in-Council, from amongst persons who are or have been in the service of the government (Section 13). All these statutorily provided officers do not, however, constitute a part of the establishment of the Corporation

(Section 16) which comprises of all officers and employees, excluding those appointed as above, divided into four categories, viz., 'A', 'B', 'C' and 'D' on the bases of the scales of pay of the posts. The appointing authority in the case of officers and employees comprising the establishment of the Corporation vests in the Municipal Commission or officers subordinate to him (Section 17). The appointments to categories 'A' and 'B' posts are to be made on the recommendation of the Municipal Service Commission (Section 18). Service regulations governing the method of and the qualifications required for recruitment to all categories of posts and terms and conditions of service, are to be made by the Corporation (Section 16) subject to the approval of the State Government (Section 547). The Mayor-in-Council enjoys, therefore, a greater degree of influence on personnel matters even though the important positions are to be manned by officers belonging to or appointed by the State Government and enjoying its protection. With a dominant Mayor-in-Council under the new scheme of relationship, there will be few impulses amongst such officers for autonomy, the scope of which was substantially large under the earlier legislation and the nature of state controls therein on the executive administration. While a greater degree of congruence is sought between the functional aspects of political and administrative structures, two important features of the new design crucial to its achievement are noticeable. They are: (a) the distribution amongst and the manner of transaction of business of the Corporation by the members of the Mayor-in-Council and the consequent linkages with the executive administration, (b) the Borough Committees and their functional links with political and administrative structure at the headquarter level. It is expected that the influence of these aspects, however, will be shaped by the enlarged but specified leadership role of the Mayor within the broader framework of the new design of the organisation under the Calcutta Municipal Bill of 1980.

CONCLUSION

Structural changes envisaged under the Calcutta Municipal Corporation Bill, 1980, represent a bold new experiment in the history of urban local government in India. The extensive reorganisation of political and administrative authority structure is expected to alter substantially the institutional processes and behaviour for better performance of the Corporation than has been the case under the previous legislations. The leadership role of the Mayor and the Mayor-in-Council is the most critical component of the whole new design. How far it is allowed to develop by the State Government and by the political and the socio-economic environment of the city, would eventually determine its prospects in securing positive changes in the performance character-

istics not only of the Calcutta Corporation but also of a large number of municipal corporations in India which are under supersession on the ground of their poor performance and looking towards it as a remedial model.

Appendix I

GROWTH OF REVENUE INCOME AND EXPENDITURE*
(1960-1977)

(Figures in thousands)

| City/Year | Total Revenue Income† | | Total Revenue Expenditure | |
|----------------------|-----------------------|-----------------------------------|---------------------------|-----------------------------------|
| | Income | Percentage of Growth over 1960-61 | Expenditure | Percentage of Growth over 1960-61 |
| (1) | (2) | (3) | (4) | (5) |
| I. Ahmedabad | | | | |
| 1960-61 | 40,331 | 100.00 | 35,893 | 100.00 |
| 1970-71 | 101,024 | 250.49 | 105,876 | 294.98 |
| 1975-76 | 204,551 | 507.19 | 209,136 | 582.67 |
| 1976-77 | 230,230 | 570.86 | 261,591 | 728.81 |
| II. Bangalore | | | | |
| 1960-61 | 25,907 | 100.00 | 20,303 | 100.00 |
| 1970-71 | 63,581 | 245.42 | 74,540 | 367.14 |
| 1975-76 | 137,253 | 529.79 | 134,480 | 662.36 |
| 1976-77 | 153,676 | 593.18 | 149,820 | 737.92 |
| III. Bombay | | | | |
| 1960-61 | 164,664 | 100.00 | 158,394 | 100.00 |
| 1970-71 | 699,731 | 424.94 | 535,244 | 337.92 |
| 1975-76 | 1,078,039 | 654.69 | 1,158,337 | 731.30 |
| 1976-77 | 1,451,474 | 881.48 | 1,137,945 | 718.43 |
| IV. Calcutta | | | | |
| 1960-61 | 61,074 | 100.00 | 74,177 | 100.00 |
| 1970-71 | 88,735 | 145.29 | 147,846 | 199.31 |
| 1975-76 | 131,223 | 214.86 | 200,185 | 269.87 |
| 1976-77 | 143,569 | 235.05 | 192,373 | 259.34 |
| V. Delhi | | | | |
| 1960-61 | 43,528 | 100.00 | 66,961 | 100.00 |
| 1970-71 | 220,692 | 507.01 | 265,619 | 396.68 |
| 1975-76 | 344,885 | 792.33 | 408,158 | 609.54 |
| 1976-77 | 344,308 | 791.00 | 466,866 | 697.22 |

(Continued)

| | (1) | (2) | (3) | (4) | (5) |
|--------------------|---------|--------|---------|--------|-----|
| <hr/> | | | | | |
| VI. <i>Kanpur</i> | | | | | |
| 1960-61 | 16,708 | 100.00 | 18,623 | 100.00 | |
| 1970-71 | 25,780 | 154.30 | 37,213 | 199.82 | |
| 1975-76 | 54,158 | 324.14 | 66,066 | 354.75 | |
| 1976-77 | 58,418 | 349.64 | 70,553 | 378.84 | |
| VII. <i>Madras</i> | | | | | |
| 1960-61 | 42,438 | 100.00 | 44,254 | 100.00 | |
| 1970-71 | 119,908 | 282.55 | 127,322 | 287.70 | |
| 1975-76 | — | — | 286,313 | 646.97 | |
| 1976-77 | — | — | 365,163 | 825.15 | |
| VIII. <i>Pune</i> | | | | | |
| 1960-61 | 15,490 | 100.00 | 17,597 | 100.00 | |
| 1970-71 | 51,021 | 329.38 | 56,367 | 320.32 | |
| 1975-76 | 102,882 | 664.18 | 122,107 | 693.90 | |
| 1976-77 | 111,111 | 717.31 | 125,764 | 714.69 | |
| <hr/> | | | | | |

SOURCE: * *Statistical Abstract: India*, New Series, No. 23, Central Statistical Organisation, Ministry of Planning, Government of India, New Delhi, 1978, pp. 595-626.

† Total Revenue Income includes Tax Revenue and Non-Tax Revenue as defined in the 'Source' at p. 595.

Appendix II
GROWTH OF ESTABLISHMENT EXPENDITURE*

| City/Year | Total expenditure in wages and salaries | | Establishment expenditure as a percentage of | |
|----------------------|---|--------------------------------|--|-------------|
| | Expenditure (in thousands) | Percentage Growth over 1960-61 | Revenue Income | Expenditure |
| (1) | (2) | (3) | (4) | (5) |
| I. Ahmedabad | | | | |
| 1960-61 | 10,971 | 100.00 | 27.20 | 30.57 |
| 1970-71 | 33,562 | 305.91 | 33.22 | 31.70 |
| 1975-76 | 70,371 | 641.42 | 34.40 | 33.65 |
| 1976-77 | 85,810 | 782.15 | 37.25 | 32.80 |
| II. Bangalore | | | | |
| 1960-61 | 4,610 | 100.00 | 17.79 | 22.70 |
| 1970-71 | 20,076 | 435.49 | 31.58 | 26.93 |
| 1975-76 | 43,180 | 936.66 | 31.46 | 32.11 |
| 1976-77 | 51,380 | 1114.53 | 34.43 | 34.29 |
| III. Bombay | | | | |
| 1960-61 | 56,926 | 100.00 | 34.57 | 35.94 |
| 1970-71 | 244,719 | 429.87 | 34.97 | 45.72 |
| 1975-76 | 486,928 | 855.32 | 45.17 | 42.04 |
| 1976-77 | 521,289 | 915.68 | 35.91 | 45.81 |
| IV. Calcutta | | | | |
| 1960-61 | 34,275 | 100.00 | 56.12 | 46.21 |
| 1970-71 | 96,358 | 281.13 | 108.59 | 65.17 |
| 1975-76 | 139,392 | 406.69 | 106.23 | 69.63 |
| 1976-77 | 126,876 | 370.17 | 88.37 | 65.95 |
| V. Delhi | | | | |
| 1960-61 | 34,243 | 100.00 | 78.67 | 51.14 |
| 1970-71 | 135,914 | 396.91 | 61.59 | 51.17 |
| 1975-76 | 279,812 | 817.14 | 81.13 | 68.55 |
| 1976-77 | 307,500 | 897.99 | 89.31 | 65.86 |

(Continued)

| | (1) | (2) | (3) | (4) | (5) |
|--------------------|-----|-----------|--------|-------|-------|
| VI. Kanpur | | | | | |
| 1960-61 | | 10,175(†) | 100.00 | 60.90 | 54.64 |
| 1970-71 | | 22,128 | 217.47 | 85.83 | 59.46 |
| 1975-76 | | 31,946 | 313.90 | 58.99 | 48.35 |
| 1976-77 | | 35,373 | 347.06 | 60.55 | 50.14 |
| VII. Madras | | | | | |
| 1960-61 | | 19,162 | 100.00 | 45.15 | 43.30 |
| 1970-71 | | 60,274 | 314.54 | 50.27 | 47.34 |
| 1975-76 | | — | — | — | — |
| 1976-77 | | — | — | — | — |
| VIII. Pune | | | | | |
| 1960-61 | | 6,477 | 100.00 | 41.81 | 36.81 |
| 1970-71 | | 18,040 | 278.52 | 35.36 | 32.00 |
| 1975-76 | | 43,049 | 664.64 | 41.84 | 35.26 |
| 1976-77 | | 47,150 | 727.96 | 42.44 | 37.49 |

SOURCE: *Data derived from *Statistical Abstract: India*, New Series, No. 23, Central Statistical Organisation, Ministry of Planning, Government of India, New Delhi, 1978, pp. 595-626.

†This figure has been derived by working out the average rate of growth of expenditure and tested against the average rate of growth of establishment expenditure during this period since the actual figures for the year 1960-61 were not available.

The Mayor-in-Council and the Internal Administration of the Calcutta Corporation

M. K. MAITRA

THE MAYOR-IN-COUNCIL system envisaged in the CMC Bill 1980 has been often described inaccurately as the cabinet form of Municipal governance. It is true that the working system visualises a collective responsibility of the Council and the Commissioner, on the same analogy, could be considered to be the prototype of the Chief Secretary. Also like the Cabinet ministers, Council Members would be allocated individual portfolios and would be expected to look after different departments. The Mayor would be the leader of the Council and the Council meetings and deliberations would be akin to the Cabinet meetings of the government. On the face of it, therefore, it is expected to function on the lines of the Cabinet system.

In practice, however, the situation is likely to be somewhat different where the interactions between the different groups, unless clearly defined, can be a source of dissipation of authority leading to a confused and hopelessly mixed up working system. The points of interaction are many. It is, therefore, necessary to clearly identify such contact points and frame rules governing the relationship between different groups along such contact points. The key issue, therefore, is to locate such contact points and identify precisely the nature of interaction which are likely to evolve along them. The Municipal Government is a creature of the statute where the roles and functions of different functionaries, whether groups or individuals, have been laid down in the statutes. The legislations have gone to great lengths in specifying the municipal functions and roles and powers of different officers whether elected or selected. The rules framed under the statute is supposed to further elaborate on the statutory provision to govern the day-to-day working.

The Calcutta Municipal Corporation (CMC) Bill 1980, has gone into much greater details in this respect; perhaps in its attempt to identify a solution to the foreseeable conflict areas. But conflict resolution

through statutes is a difficult, if not impossible, proposition. The more the contact points, the more are the possibilities of conflict areas emanating from such areas specially when the parameters of interrelationship are predetermined by a body external to the Corporate body for the Municipal governance. When the statutes enter into the procedural issues relating to the day-to-day functions of a large municipal body, the built-in inflexibilities of the system is bound to be a major bottleneck for the primary functionaries. The Mayors-in-Council are, therefore, working in a predetermined situation while remaining fully responsible for the unimunicipal governance. The fundamental difference between the Mayors-in-Council and the Cabinet system lies there.

THE STRUCTURE

The CMC Bill 1980 replaces the 1951 Act where the authority was vested in the Corporation, the Standing Committees and the Commissioner. Under the 1951 Act, therefore, the Mayor was nothing more than a Presiding Officer. There have been Mayors of the Calcutta Corporation who have made their mark through competence and sheer force of personality, but the statute did not recognise the Mayor as an authority. The Standing Committees and the Corporation had powers vested in them by the Statute. The Commissioners on the other hand as the Chief Executive Officer, had all the executive powers vested in him. Subject to certain limitations he could follow a parallel path without meeting grounds with the Standing Committee or the Corporation. The structure envisaged, therefore, was one of an independent source of administrative set-up operationally free from the elected representatives. The Standing Committee and the Corporation could nullify some of his decisions and could exercise certain powers in certain spheres. The executive authority was, however, fully vested with the Commissioner. This structure of the Corporation is radically altered in the 1980 Bill.

Sec. 3 of the 1980 Bill specifies that the municipal authorities for the purpose of carrying out the provisions of the Act are: (i) the Corporation, (ii) the Mayors-in-Council, (iii) the Mayor. Sec. 4 of the Act specifies that the Corporation, consisting of the Councillors and the Aldermen shall be charged with the Municipal Governance of Calcutta. The Mayor, the Mayors-in-Council and the Corporation, the three statutory authorities, have the common base of being constituted of elected individuals; where by virtue of the majority enjoyed, the Mayor and the Mayors-in-Council will wield considerable amount of influence in the decision making process involved in municipal governance. This is an extremely important characteristic of the new municipal structure. This has sought to bring about the homogeneity in the decision making levels, to avoid that form of

parallelism that was present in the previous Act.

Chapters 3 & 4 of the CMC Bill 1980 deals with the Municipal authorities and the organisations respectively. Other than those mentioned above, the Municipal Accounts Committee, the Borough Committee and the Municipal Consultative Committees to be formed by the Mayors, are the other groups. The role and function of these authorities are critically linked with the internal administrative set-up. Of these, the manner of transaction of business of the Corporation has been laid down in the statute itself (Ch. 6). The manner of transaction of business of the Municipal Accounts Committee, apart from the functions enumerated in Clause 10(6), and that of the Mayors-in-Council and the Borough Committee shall be determined by the Corporation [Clause 8(4) and 11(8)]. The Mayor-in-Council shall determine the manner of the transaction of business for the Municipal Consultative Committees. The structure, therefore, envisaged is such that the flow of authority emanates from the Corporation in relation to all the statutory authorities instead of the division of authority contemplated under the 1951 Act.

The other important factor vital to the Municipal administrative set-up is the Borough Committee. The membership of the Borough Committee is obligatory on the part of the municipal councillors. The Committee has also been given specific powers mainly relating to the day-to-day house keeping functions in the Borough. The employees of the Corporation assigned to a particular Borough shall be required to carry out the directions issued by the Borough Committee which would function subject to the general supervision of the Mayors-in-Council. The Borough boundaries would be on the basis of the existing district, which is sought to be rationalised by constituting 10 Boroughs for 100 wards. The point, however, is that the administrative jurisdictions of the Boroughs cannot be finalised unless the elections are held and the newly elected members of the Corporation either at its first meeting or as soon as possible thereafter decide on the grouping of the wards into the Boroughs [(Clause II (1))]. This section presupposes that such an exercise can be smoothly and quickly carried out as soon as possible after the first meeting. If, however, the actual decision making is delayed it becomes difficult to that extent. The set-up of the Boroughs can, therefore, only be finalised after action under Section 11(1) is taken by the Corporation. Once such a decision is taken, the subsequent work of putting that into shape including setting up of Borough offices, identifying Corporation personnel Boroughwise will commence. To complete such a task will be time-consuming and yet can only follow the setting up of the new Corporation. Till then the role and function of the Borough Committee, where a councillor is an automatic member, really remains inoperative and yet the statute

does specify obligatory functions for the Borough Committees. This is, therefore, another requiring closer scrutiny. In effect, of course, to overcome the eventuality advance action to identify the Borough set-up and the jurisdiction will have to be taken and since the Borough will be the key functional level of the Municipal Corporation, formalisation of their set-up and layout is extremely vital. For the time being, of course, we shall have to proceed on the presumption that the Corporation shall finalise the Borough set-up in its first meeting or as soon as possible thereafter. It is against this background that the relationship between the Mayors-in-Council and the internal administration will be considered.

The Borough will be the basic administrative unit subject to the general supervision of the Mayors-in-Council. The Borough Committee has been entrusted with specific responsibilities and has also been given the authority to issue directives to the Borough employees.

The Organisation of the Calcutta Corporation (Ch. III) consists of the officers to be appointed by the State Government and the Mayors-in-Council [(Sec. 14(2))] and those to be appointed only by the Mayors-in-Council [(Sec. 14(3))]. The Municipal Commissioner, Jt. Commissioner, the Controller of Finance and Accounts, the Chief Municipal Auditor, shall be appointed under Section 14(2) either by the State Government in consultation with the M-in-C or by the M-in-C with the approval of the State Government. The other officers specified in the statute to be appointed by the Mayors-in-Council are the Engineer-in-Chief, Dy. Commissioners, Chief Architect and Town Planner, the Chief Law Officer, the Chief Health Officer and the Secretary. Besides the posts mentioned in Sec. 14 the other posts are required to be classified into 4 groups A, B, C & D and indicated in the schedule of posts and updated from time to time.

THE BOROUGH ADMINISTRATION

At present the basic administrative unit consists of four districts and three added areas. The Corporation organisational structure is so compartmentalised that the district offices do not really function as a homogeneous whole working as a unit of the Corporation, but are merely a collection of the local offices of the various departments of the Calcutta Corporation. The Borough level functioning, therefore, on the one hand, recognises the existing weakness of the Calcutta Corporation and legitimises the need for structuring the Calcutta Corporation functions along the District administration level. Currently at the Borough level only the Dt. Engineers and District Conservancy Officers and their staff, are clearly identifiable. The present allocation of tasks does not have a rational basis and yet at the Borough level certain obligatory functions have been identified for the Borough Committee. The Borough Committee is the only Committee which starts functioning immediately

after the Municipal Election and delimitation of Boroughs. The function naturally presupposes a well defined administrative set-up which is lacking at present. The Borough organisation is, therefore, linked up with the functioning of the Borough Committee. Hence the first task is to finalise the administrative structure of the Borough, and the Corporation vis-a-vis the Boroughs.

The task of the Borough Committee has been specified in clause 11(6). The Committee members are elected councillors who automatically constitute the Borough Committee in the respective areas entrusted with specific responsibilities. Thus the entire Committee has the collective responsibility specified in 11(6) and the authority to issue directions to the Borough employees is also vested in the Committee. This is an interesting feature as this authority is entrusted to a deliberative body. They are, therefore, required to function in the dual capacity as elected representatives, as Corporation Councillors and also as members of Borough Committee executing the day-to-day house keeping functions at the Borough level. This Corporate body at a level closer to the people will be required to closely work with the employees. They are not only the elected representatives of the wards within the Borough but are also collectively responsible for carrying out certain functions which are fundamentally different from the working of the Mayors-in-Council, as at the Borough level the functions will be directly related to delivery of service. Corporate decision making powers cannot be, by their very nature, action-oriented unless there is adequate arrangement to evolve a decision-action mechanism at the Borough. The Chairman and the Committee members require to meet regularly to legitimise the decision. The sequence requires processing through formal meetings and resolution and yet the action part of the decision requires involvement of the Borough level employees. In the absence of a well defined Borough administrative structure the decision-action sequence will not be able to follow an easily identifiable course making it extremely difficult to identify the accountability path through different levels. It is necessary to distinguish between the permanent executive and the political executive in the Borough level for clear role definition and the formal relationship has to be a continuous process if the Borough Committee is to carry out their tasks. The concept of Borough Committee envisages decentralisation of the Municipal functions and takes the house keeping functions as close to the people as possible. The statute, however, has not tried to match this process by similar recommendations with regard to the Administrative structure. Sec. 14(e) and (f) provide some guidelines in this respect—Sec. 14(f) has empowered the Mayors-in-Council to determine the number of Jt. Municipal Commissioners and Sec. 11(f) for the Dy. Commissioners. Both are important in respect of defining the role boundaries in the

Corporation between the political and the permanent executive. Taking advantage of this built-in flexibility let us try to visualise a system at the Borough level where the decision-action linkage can be clearly established.

The decentralisation contemplated is proposed to be reflected also in the Corporation's administrative structure. Thus the various departments of the civic body should be represented at the Borough level. An exercise has been carried out to suggest the future Borough administrative structure. This envisages a Borough Chief Executive with Borough level conservancy, accounts, assessment, collection machinery under the overall guidance and supervision of the Borough Chief Executive. Since at the Borough level the Committee deliberations initiate the sequence of action, it is necessary to have adequate arrangements for processing the discussion of the Committee and for translating them into the required action programme. Thus the Borough Committee would require secretariat assistance as it is necessary to formalise the whole system of the Committee meetings and have arrangements for keeping records of related action taken. This function is proposed to be performed by a Secretary. The Chief Executive at the Borough level can concurrently act as the Secretary of the Borough Committee. Thus the Chief Executive of the Borough can be the spokesman of the Committee to implement its directives. Since the directive of the Borough employees will be related to important civic services, it is necessary to formalise the recording and communicating of decision and the manner of deciding and issuing of directives. The decision making powers should commence only from the formal meetings of the Borough Committee and be recorded only in the form of resolutions. Since the functions of Borough Secretary and the Chief Executive are combined into one person, he can be the contact point between the committee and the employees and normally the Borough Committee decision and directives will only be communicated through him. Such a functioning mechanism is necessary as otherwise multiple contact points will make the whole system inoperative.

At the Borough level the other important factors are the relationship between the Commissioner and the Borough employees, the levels of interaction between the members of the Borough Committee and the Mayor-in-Council and the role and relationship of the Borough Committee and the Borough permanent executive. It is difficult to visualise the multiple contact points which unless handled and regulated carefully, can lead to serious consequences. Hence a few words on this would be relevant to the issue. The Commissioner in his capacity as the principal administrative officer is the head of the civic civil service where all officers are subordinate to him. He is responsible for various executive

functions and delivery of services on the basis of policy directives of the Mayor-in-Council. This policy implementation or translating the decision into action programme cuts across the functional jurisdiction of the Borough. Thus there is an overlap where the Commissioner's implementation policy and priorities can be at variance with that of the Borough Committee. One of the solutions to this is to rigidly classify various tasks into Corporation and Borough levels. But such a segregation may not be practicable and despite such attempts, conflicts in role boundaries are certain to occur. The level of intervention for this conflict area is the Mayor or the Mayor-in-Council. The Commissioner is accountable to the Mayor and the Borough Committee works under the general supervision of the Mayor-in-Council and Mayor is the spokesman of the Mayor-in-Council. This is quite a tenuous link and yet there is no other indication in the statute for conflict resolution in this situation. The solutions will, therefore, have to evolve within the limits of the statute. This can be done through regulations. The main aim here should be to formulate guidelines governing these relationships in the form of rules of business. In this respect the rules of business of the Borough Committee will be the most vital and should form the core around which the rest of the structure would evolve. Since the areas of overlap in terms of functions are numerous it is not sufficient to identify a few of them but the rules of business must identify each and every such contacts and overlap areas and frame guidelines in conformity with the provisions of the statute for controlling the access to these areas. The crucial point to remember is that at the Borough level the dual functions of both the Committee members and the employees are quite manifest. The attempt to synthesise the whole system will only be successful if the Borough level administrative structure really works as an administrative unit of the Corporation under the control and supervision, in respect of its day-to-day function, of the Chief Executive officer of the Borough and through him work under the directives of the Borough Committee. The Borough Chief Executive should also function as the eyes and ears of the Commissioner, who in turn would be able to keep the Mayor (and through him the Mayor-in-Council) informed about Borough's functions.

The resemblance to the Secretariat functioning and the relationship between the Chief Secretary and the Department Secretaries can perhaps be compared to the relationship of the Commissioner and the Borough Chief Executives. It is important to consider this point. Some might disagree and point to the different departmental heads of the Corporation working under the respective members of the Mayor-in-Council. This may be worth considering; but the point to remember is that for implementing the functions of the Corporation (Sections 28 & 29) the Commissioner has been vested with certain powers. The Joint Com-

missioner and Dy. Commissioners, derive those powers from him, but by themselves would not be able to carry out the necessary functions without delegation. As against this, the Borough Committee has specific functions and for that it can issue directives to the Borough employees and the Chief Executive by acting on behalf of the Borough Committee can exercise these powers.

The other point of interaction is the Mayor-in-Council-Borough Committee linkage. The Borough Committee functions under the general supervision of the Mayor-in-Council [Clause 11(6)]. The instrument of action of the Mayor-in-Council is the Corporation bureaucracy. The corporation officials are subordinate to the Commissioner, who is accountable to the Mayor—the leader of the Council. Thus in this respect the Borough Committee's powers of decision making has been made subservient to the permanent executive where they have the authority to issue directives. At the same time the Borough Committee members are Corporation councillors whose sanctions are required by the Mayors-in-Council for their executive actions. In effect, of course, the majority party which would form the Mayor-in-Council will be able to have their way in the Corporation. The fact, however, remains that at places the Borough Committee may well be formed of opposition or a heterogeneous group consisting of both ruling and opposition parties. The Borough Committee members by seeking intervention at the Corporation level may seek to remedy the situation. Moreover, this may be an instrument of action against political opponents, or at least interpreted as such in certain cases. Due to this extremely interrelated interaction the manner of functions of the Borough Committee has to be very well framed and the inlet-outlet points carefully demarcated and zealously guarded against any transgression. This requires a highly formalised system within the proposed set-up where the functions of the Borough and the Borough Committee form the base of the civic administrative structure under the new statute. Once this is designed and formed, building up the structure is not a difficult task and could be achieved with relative ease.

Besides the Borough, the two other important locations from where the policies would emerge, are the Mayors-in-Council and the Municipal Accounts Committee. Of these, the functions of the Municipal Accounts Committee have been specified in the statute clause 10 (6). The Committee is similar to the Standing Finance Committee carrying out a watch-dog function and vested with substantive powers to deal with certain specified issues. The Committee reports to the Corporation and is an important check on the executive functions of the Mayor-in-Council. So far as the permanent executive is concerned the scope of role conflict is rather restricted. The only possible scope of overlap in functions is on the issue of the role of the Municipal Secretary. It is

quite clear that the role of boundaries of the MAC is quite well defined and the contact points, with the other groups in the decision action sequence, few and well controlled. This is possible because of functional role of this Committee in an area where the limits of jurisdiction can be easily identified.

THE MAYOR-IN-COUNCIL

Having attempted to build a structure, with the Borough as the base, to identify and work out the possible methods of controlling the decision-action sequence and the relationship between the deliberative and the implementing body, it is necessary to visualise the structure in respect of the Corporation itself. Here the executive authority is vested in the Mayor-in-Council [Clause 33 (1)]. They have also been entrusted with specific powers in relation to most of the important provisions. Individually its members will also be in charge of certain department/departments and will be accountable to the Mayor-in-Council and through it to the Corporation for the efficient functioning of that department. The Mayor is the leader of the team. Similarly, the Commissioner is the leader of the team of the Corporation officials. The Commissioner is accountable to the Mayor and not to the Mayor-in-Council. The Act gives the Commissioner sufficient powers to supervise the officers all of whom would be subordinate to him. Wherever certain statutory powers have been vested in him he has to implement them through his officers. The Mayor, acting on behalf of the Mayor-in-Council, will be acting through the Commissioner; but in case of the individual departments the council members cannot exercise the same executive control as in the statute the Mayor-in-Council and the Mayor has been given specific powers and authorities. The rules of business of the Mayor-in-Council should formalise this arrangement which is inherent in the statute itself. The Commissioner in that case will be the main contact point for formal communication of policy directives and implementation guidelines emanating from the Mayor-in-Council. The informal work procedure may be somewhat different but formal flow of information must be clearly and precisely indicated to remove the possible dichotomy.

If we think of the Mayors-in-Council as the source from where decisions and directives flow in different directions we can then identify these locations. These are: (i) the Commissioner and through him the permanent executive, (ii) the Borough Committee in its overseeing role [(Clause 11 (6)], (iii) the Borough officials through the Commissioner, (iv) the Municipal Accounts Committee and other Standing Committees, and (v) the Corporation. Besides, by itself Mayor-in-council will have to play the major role of being the prime mover. This set-up, therefore, must have a full secretariat support not only for the routine Secretariat

functions but also working on behalf of the Mayor-in-council and the other action centres. The Act does provide for a Secretary who is expected to be the Secretary to the Corporation; the Mayor-in-Council and the Municipal Accounts Committee. As an official of the Corporation he is subordinate to the Commissioner and yet has got certain autonomy in matter of records of the Corporation and its deliberation [Clause 42 (2)]. The point is whether the Secretary can individually do justice to the proposed task and to what extent would it be desirable. At the Borough level it is possible to overcome this difficulty by combining the role of the Chief Executive and the Secretary. But both these are non-statutory posts which is merely being suggested; whereas in case of the Commissioner and the Secretary the roles are clearly specified in the statute and has to be thought of within the statute itself. One of the possibilities is to let the Commissioner work as the Secretary to the Mayor-in-Council. Though this is a feasible solution, considering the overall commitment of the Commissioner and the underlying precept of the Bill to keep the Mayor-in-Council segregated from the permanent executive, this may not be desirable. The Secretary may be an important and independent source of authority if he is allowed to work in this capacity which may not be desirable at all. Thus the solution would have to be in identifying a separate person for this task, who can be attached to the Secretariat for administrative purposes. Similar working arrangement can be contemplated for the Municipal Accounts Committee. The working of the Mayor-in-Council and its deliberations can also be called to question and discussed at the Corporation. In certain cases the Mayor-in-Council will have to obtain the sanction of the Corporation. In practice this will not be difficult because the Mayor-in-Council will always enjoy the confidence of the house. Nevertheless, to formalise the system the rules of business of the Mayor-in-Council and the Corporation should identify the points of interaction and specify the manner of tackling it.

CORPORATION AND THE MAYOR-IN-COUNCIL

Of the various systems incorporated in the Bill, the Mayor-in-Council and the Borough Committee, their role boundaries, contact points and manner of functioning have been discussed in detail particularly in relation to the permanent executive. Here particular emphasis has been given to ensure proper regulatory mechanism for the interaction between the systems. However, in the Corporation hierarchy, the Mayor-in-Council has been established in a superior position compared to the Borough Committee or even the Municipal Accounts Committee. It is thus easy to specify the control mechanism for regulating the inter-action between the systems. However, the Corporation and the Mayor-in-Council are placed in different footing

and the Borough Committee members are also represented in the Corporation as councillors. The question is, therefore, what should be the ideal way of regulating the interface between the Mayor-in-Council and the Corporation. The Corporation will primarily be a decision centre and will function on the basis of a two-way flow of information. The flow will obviously be through the Mayor-in-Council. At this stage, however, the Secretary of the Corporation might act as the control point for these two systems. The question is would that be desirable and what extent would that be against the spirit of the Act? Clearly the function of the Municipal governance has been vested in the Corporation which purpose the different systems have been incorporated in the Bill. While in case of other systems the hierarchical relationship is established, the situation is different in case of the Mayor-in-Council and the Corporation and the role of the Secretary as an intermediary for enforcing the Central mechanism may not be desirable. Thus in this case the role of the Secretary will be restricted to that of a transfer point. This is necessary for the purpose of keeping of proper records and their dissemination. This will be possible because both the systems are decision centres where the nature of information flow is entirely different. This will not be applicable for other systems.

CONCLUSION

Since corporation is essentially a service organisation the demands for daily decisions will be extremely heavy. Most of it, of course, will be requiring instant interaction. The decision centres to that extent will mostly deal with policy issues. To regulate this functioning mechanism the regulatory mechanism for the contact points have been suggested between the different systems. But the organisational structure of the Corporation is much more complex. The different systems contemplated in the Act mostly define the broad structure without giving any idea of the complex organisational structure of the Corporation. The different departments, the special services, the statutory functionaries are all important and interact very closely with each other. To give an example, there is a very close inter-linkage between the licence department, the collection and the assessment department, the assessment department and the building department. Thus within one particular system, if these components are called sub-systems, modalities for their regulating these interactions will become extremely important. Currently the approach is to segregate the functions and every department works more like a water-tight compartment. Such a system, in the revised structure as contemplated in the Act, will not be able to fit into the set-up and will be completely contradictory to the set-up proposed. Because of the multiplicity of the functions the number of units cannot be reduced substantially.

The attempt should be more to decentralise, so that at the Borough level the departments are suitably represented working under the Borough Chief Executive. As the structure is built on the Borough set-up, functioning of the Borough Committee and the Borough are extremely vital and that is why any exercise must commence from the Borough. The new Bill has completely altered the statutory authority and the character of such authorities but the mechanism for delivery of services has remained unaltered. This anomaly, unless removed, will not be in harmony with the revised structure. □

Calcutta's Municipal Acts and the Commissioner

SIVAPRASAD SAMADDAR

DR. BIDHAN CHANDRA ROY, before he became the Chief Minister of West Bengal, had tried his hand in the Corporation of Calcutta. He had been elected its Alderman on three occasions (1930, 1938 and 1941) and its Mayor twice (15 April, 1931 and 11 April, 1932). A physician by profession whose mastery of diagnosis ran into legend, he was well aware of the civic body's ailments and the line of therapy. He became the Chief Minister on January 23, 1948 and on March 24, 1948 he superseded the Corporation, *i. e.*, had its control taken over by the government. It was on the ground of maladministration.

FIRST SUPERSESSION AND THE 1951 ACT

Dr. Roy was working against a tight time schedule. In order to bring back the councillors to a rejuvenated body, he set up a Commission of Inquiry under the chairmanship of Justice C.C. Biswas to find out how this could be done administratively and financially. The Commission felt that the Municipal Act of 1923 which Sir Surendranath Banerjea had framed with high hopes of democracy and service to the citizens got subverted by the councillors who reduced the Corporation Executive to a position of 'abject dependence' on them, rendering him absolutely powerless and furthered their party ends or personal interests.

The Biswas Commission recommended the widening of franchise and separation between the legislative and the executive functions of the Corporation. Pursuant to this, the Calcutta Municipal Act of 1951 was passed. On March 5, 1951, while moving the 1951 Bill in the West Bengal Assembly, Dr. B.C. Roy had observed: "...at the present moment, the Corporation is one single unit. In the new Act, it is provided that there shall be three municipal authorities: the Corporation, as at present and as provided in the 1923 Act; a Commissioner, appointed by the government, and statutory committees..."

Dr. B.C. Roy had further observed that "...as I indicated just now,

there would be a Commissioner who would be appointed by the government. The powers and functions of the Commissioner have been defined in the new draft Bill... He would be a person who would not be subject to any influence from the body of the Corporation. He would of course act under the general directions of the Corporation, given to him from time to time, but he will have as in the case of Bombay and Madras, a position which is above all influence by the Corporation."

SECOND SUPERSESSION AND THE 1980 BILL

On May 1, 1952 the new Statute was given effect to and a new Mayor-in-Council took position. Twenty years later, on March 22, 1972, the State Government again superseded the Corporation, disbanding the elected body and taking its charge by appointing an administrator. This was on five counts of 'incompetency' and four of 'defaults' and through the hand of another Siddharatha Sankar Ray. He had, however, taken over as the Chief Minister only two days ago. Another dissimilarity is in the fact that the West Bengal Government neither instituted any probe into the Corporation's failings this time nor worked towards the restoration of the elective system. In fact, the only time some thought was given to reshaping the Corporation was in the middle of 1976 by a reference to the State Planning Board as to how it could be strengthened for urgent civic services like road repairs and garbage removal. The State Planning Board was working towards the formation of a body like the Calcutta Corporation Authority which could be appointed by the government to comprise professional people and managerial experts having been linked to the citizens by numerous local committees on elective basis. The final report did not see the light of the day till the Congress Government was ousted in April, 1977.

The Left Front Government came in saddle by the middle of 1977 and the supersession of the Corporation continues. It is, however, left to Prasanta Kumar Sur, the present Minister of Local Government and Urban Development, to introduce in April 1980 a new bill on the civic governance of Calcutta—the Calcutta Municipal Corporation Bill. History appears at times to repeat itself, for Prasanta Sur is himself a product of the Calcutta Corporation, having been a councillor under Dr. Roy's Act since the mid-fifties, and having been elected the Mayor of Calcutta twice (1969 and 1970).

This is how Prasanta Sur looked into the compulsion and time schedule for the new legislation early in 1978:

When the Left Front Ministry came to power we took an oath to place the charge of the Corporation as well as other superseded municipalities at the hands of elected bodies, irrespective of their political affinity. But before the elections are held we have to

do some homework. Both the C.M. Act 1951 and the Bengal Municipal Act require to be fundamentally amended....

We hoped to hold the Corporation elections in the winter of 1977. But it came to light that many names were omitted from the electoral roll for the last Lok Sabha and Assembly elections. It is the responsibility of the Election Commissioner to make good the deficiency. We are trying to expedite the matter by all means, but there are many formalities to be observed. Our present intention is to hold elections to the Corporation, after the amendment of the Act, by the middle of 1978.¹

EARLIER CORPORATIONS: NOMINATED VS ELECTED

This bill is the sixth in the succession of the Act for the representative municipal government of Calcutta. We have already narrated the birth of its immediate predecessor and mentioned the one which it supplanted, viz, the 1923 Act. The earlier three were the Acts of 1863, 1876 and 1899. The Act of 1863 was introduced by the Lieutenant Governor of Bengal, Sir Ashley Eden, with the objective of entrusting intelligent gentlemen chosen from among the rate-payers with a very considerable control over the municipal government of the town, and at the same time providing that the work of the municipality would not be liable to interruption or delay from any omission on their part to attend to their duties. The general control of municipal expenditure was thus vested in a large body of councillors drawn from the Justices of the Peace for Bengal, Bihar, and Orissa who might be resident of Calcutta along with the Justices of the Peace for the town. The execution in detail of all sanctioned works, on the other hand, was entrusted to a well-paid wholetime officer, who was the government appointed chairman. This municipal body which swung into strenuous activity in drainage and water supply, roads and footpaths, municipal markets and slaughter-houses, etc., could, therefore, be called a Corporation of Justices whose guiding and motive force was a powerful executive.

The next Act of 1876 saw the introduction of the elective principle. Under this two-thirds of the 72 Commissioners (*i.e.*, Corporators) were elected by the rate-payers and the balance 24 appointed by the government. The appointment of the Chairman who could hold the office of the Commissioner of Police, the Vice Chairman and other officers, as well as the appointment of Committees was governed by provisions similar to those in the Act of 1863. The new body did a lot of improvement to the town, completing underground drainage, increasing the supply of filtered and unfiltered water and opening Harrison (now Mahatma Gandhi) Road to connect the railway systems at Howrah and Sealdah.

¹Sivaprasad Samaddar, *Calcutta Is*, the Corporation of Calcutta, 1978, See Preface to the book.

The next change in the municipal administration of Calcutta came under the Lieutenant-Governor, Sir Alexandar Mackenzie in 1899. Administration vested in the hands of three coordinate authorities—the Corporation, the general committee and the government appointed Chairman, belonging to the Indian Civil Service. Of the 50 Commissioners, only half were elected, and the other half being appointed by Government, from commerce and trades bodies and Port Commissioners. The entire executive power vested in the Chairman. These measures were in reality a retrogression. As a mark of protest, 28 Indian Commissioners, including Surendra Nath Banerjea and Bhupendra Nath Basu resigned simultaneously.

SIR SURENDRA NATH AND THE 1923 ACT

The Mackenzie Act was replaced in 1923 by Sir Surendra Nath who had, a quarter century ago, resigned in protest against the extent Act and who was now the mantle of Minister for Local Self-Government. This Act democratised the constitution of the civic body and enlarged its powers. It had 90 elected Councillors and five Aldermen who were indirectly elected. The body elected Mayor and Deputy Mayor annually. Executive powers were vested in a Chief Executive Officer. As all powers were transferred to the elected body, as a veteran like Deshbandhu Chitta Ranjan Das became the first Mayor and as a fiery youth like Subhas Chandra Bose became the first CEO, the Corporation underwent a completely radical change.

The 1923 Act was inspired by the philosophy of Surendranath Banerjea who time and again reiterated that: "Municipal instructions are the germs of all political instructions. Municipal life is the basis of public life. Municipal Self-Government precedes National Self-Government." Accordingly, while moving the Calcutta Municipal Bill in the Legislative Council, in 1921, Surendranath had said: "... Ever since 1899, I have lived in the hope of witnessing the rebirth of my native city—robbed in the mantle of freedom." Surendranath had modelled the 1923 Act after the British Laws for local government, and in relation to its internal structure had said: "... There is no principle to which the general public and the framers of the Bill attached greater importance than the total separation of what I may call the legislative and executive functions in the administration of the Corporation."

Although CEO was not exactly in the robe of Commissioner, Subhas Chandra was also no usual executive. He was in the post of CEO technically for three years from May 17, 1924, but physically on the chair till December 15, 1924 when he was deported to Burma on a charge of sedition. This cut short an administrative career in the municipal field potent with possibilities and promising of determined action. He came back to the Corporation, but at the higher functional

level of Mayor. That was again for a brief period, from August 22, 1930 to April 15, 1931.

In the hands of Dr. Roy the role of the Chief Executive was given a statutory and stronger position. Deliberately he got it modelled after the American City Manager where the Commissioner can pursue certain objectives and take measures vigorously and promptly within his own bounds. The entire executive power for carrying out the provisions of the Act of 1951 vests in the Commissioner. His budget does not require any superior authorisation before being presented to the Corporation through the Finance Committee. He is the sole authority for appointments, disciplinary action, contracting and a host of executive functions within the area carved out for him by the statute.

PROFILE OF A COMMISSIONER AND THE PROCESSION

In actual practice, the Commissioner was far from acquiring such a formidable character. With the new statute came the Commissioner, Binay Kumar Sen. In the thirties he made his debut in civic services—not in this country, but in England where he had gone for higher education. He joined the Manchester Municipal Corporation as an assistant and earned encomium from the Lord Mayor in such words: “the administration of local governments where his knowledge and training can be put to the greatest use.” In 1938, he came to India for a suitable job and, not finding any returned with a letter of introduction from Subas Bose in which he asked C.R. Attlee, the British Labour Leader to help Binay Sen in a specialised training in civic affairs. Starry-eyed in Arcadia, Sen shot off letters like this to the Calcutta Municipal Gazette: “The country must be in a position to increase her resources and soon our peculiar Mother India will be in no way different from Uncle Sam or John Bill or any other country where, every citizen is at least sure of a square meal.”²

Shortly after Sen returned to the country and went back to his basic discipline of chartered accountancy in a multi-national company. While at Bangkok in 1952 he answered an advertisement for the post of Commissioner in the new Corporation and got back to his old love. Although, in the number of years and months, Sen's was a long wicket in the Corporation from May 1, 1952 to May 1, 1959, his trouble started from 1957. With his penchant for reaching out to the people through press, citizens' forum, students meet and a highly innovative practice called Commissioner's corner, Sen really made the city feel that there was a civic enthusiast who meant business. These are the words in which he described his objective and methodology: “. . . in order to supplement the efforts of our city fathers . . . I and my senior officers should go out on organised joint inspection and meet people informally in some corner of the street close to their residence and listen to all

²*The Calcutta Municipal Gazette*, 5 June, 1940.

about their grievances. My object . . . was primarily to see things personally on the spot whenever possible, if not, immediately on coming back to take up such complaints as should receive top priority and . . . speedy action.

The man who reaches out far or knows too much may, however, be inconvenient, if not dangerous. Although, according to the law, Commissioner had a corner to himself, the City Fathers went to breathe down the neck of the executive and, in fact, the fewer such functionaries the easier would be such vicarious exercise of power and patronage. Sen was thrown into civil and criminal litigations involving moral turpitude and was to be thrown out by the vote of Councillors in 1957 itself. He fought this onslaught as well as the legal battle and quit the Corporation two years later only when he won the case. He went back to his earlier profession and started practising as a chartered accountant.

After this the Calcutta Corporation saw a procession of Commissioners (10 to be precise, leaving aside those holding charge on stopgap arrangement, till I joined as Commissioner in December, 1973) mostly drawn from the Writers' Buildings (seven out of 10), their average stay being 15 months. The Commissioner, although clothed in statutory powers and armed with administrative and financial powers, is a lone man in the power politics of the municipal body and has willy nilly to operate in the milieu that the Councillors provide. It is in a sense even more convenient for the operators and extractors of the municipal system that powers and functions are concentrated in one hand. Then the councillors or for that matter the trade unions have to operate on an individual to get things in their own way. A non-executive or titular Mayor who is not even the boss of the Commissioner, in the sense we know in government or business hierarchy, was a deadly combination.

This interlude in our narration has been brought in not merely to provide a human element to our story, but also to indicate the hiatus between theory and practice and to highlight the fact that a single paid individual cannot act as a dyke if inundation is caused by all around including the Councillors and trade unionists for whom the *raison d'être* is supposed to be popular will.

MAYOR AND COUNCILLORS IN THE 1980 BILL

Let us now take a close look into the Municipal Commissioner's role under the Mayor-in-Council in the Calcutta Municipal Corporation Bill 1980. We have necessarily to refrain from any pointed criticism or comments as the Bill, although passed by the West Bengal Legislative Assembly on May 6, 1980 has yet to receive the President's assent and is, therefore, still on the anvil. To understand the needs and compulsions of the new Act, let us follow in the first instance what its author has to say.

Tracing the history leading up to the enactment of the five earlier Acts, Prasanta Sur said, on April 29, 1980, in the West Bengal Assembly that: "... Each Act in its own times has aimed to be an engine of change—to respond to the compulsions for reform as seen by the then governments and to rise up to the aspirations of the citizens who, due to the very nature of municipal government, are at once the voters and the clientele as well as the beneficiaries of the services it provides."

In relation to the 1899 Act, Sur had noted: "... attacking the Corporation on the pretext of corruption, the then British rulers wanted an ICS model of local government wherein the municipal Commissioners would be hand-picked to reflect their own notions of the required representation of interests in the municipal government."

Spanning 81 years and during the 8th consecutive year of the second supersession of the Corporation, Prasanta Sur, diagnosed that the Corporation's continued ills with a Commissioner at the helm of its affairs thus: "... Corruption and maladministration, in my opinion, are the external symptoms, only of a deep rooted malady which I would like to characterise as lack of local government which is responsive and responsible to the people at large." He also said: "...The first requirement in a democratic society is that Government, whether central or local, should be accountable to the electorate. How a local government which exists on name only and whose major powers and functions are statutorily assigned to a non-elected individual, no matter how dedicated he may be, can pass such an acid test of accountability?"

The die had, thus, been cast for one of the most fundamental changes in the structure of the new Act which in the words of its author was: "to designate the elective representatives of the people as the Municipal Authorities for the municipal government of Calcutta and to vest the executive power in a political executive which is also accountable to the electorate." Thus, section 6 of the Calcutta Municipal Act, 1951 which listed the Municipal authorities to be: The Corporation, the Standing Committees and the Commissioner was to make way for section 3 of the 1980 Bill which listed such authorities to be: The Corporation, the Mayor-in-Council and the Mayor.

Consequently, in contrast to section 28 of the 1951 Act which said that "... the entire executive power for the purpose of carrying out the provisions of this Act shall be vested in the 'Commissioner', section 33(1) of the 1980 Act stipulated that "subject to the provisions of this Act and the rules and regulations made thereunder, the executive power of the Corporation shall be exercised by the Mayor-in-Council". Thus the executive power will entirely pass on to the Corporation.

COMMISSIONER—EXECUTIVE, FINANCIAL AND COORDINATIVE

Section 39 of the new Bill, however, has provided that subject to the supervision and control of the Mayor, the Municipal Commissioner

shall be the principal executive officer of the Corporation and shall:

- (a) exercise the powers and perform the functions specifically conferred or imposed upon him by or under this Act or by any other law in force for the time being; and
- (b) assign the duties and supervise and control the acts and proceedings of all officers and employees of the Corporation.

Sub-section (2) of section 39 makes it explicit that "all officers and employees of the Corporation shall be subordinate to the Municipal Commissioner." In this respect, the framers of the 1980 Bill have made a distinction *vis-a-vis* the Bombay Municipal Corporation Act which provides that the Municipal Commissioner would exercise supervision and control over the acts and the proceedings of municipal officers and employees other than the Municipal Secretary and the Municipal Chief Auditor.

In the new Calcutta Act, while designating the Municipal Secretary to be the Secretary to the Corporation and the Municipal Accounts Committee and making him the custodian of all papers and documents connected with the proceedings of the Corporation and the Municipal Accounts Committee, it has been provided that the Municipal Secretary also would function under the supervision and control of the Municipal Commissioner. Although, no specific provision has been made to this effect, from the overall scheme of things in the new Bill, it is obvious that the Municipal Commissioner would serve as the Secretary to the Mayor-in-Council—thus combining the Chief Secretary's and Cabinet Secretary roles into one.

The government's determination to ensure that local democracy gains greater strength in the future is reflected in the provisions for the appointment and removal of the Municipal Commissioner, too. Thus, as against section 19 of 1951 Act which empowered State Government to appoint the Commissioner, the 1980 Act, in section 14, makes three significant variations:

1. that the State Government shall appoint the Municipal Commissioner from amongst persons who are or have been in the service of government in consultation with the Mayor-in-Council,
2. that the Mayor-in-Council, itself, if so directed by the State Government, may appoint the Municipal Commissioner in consultation with the State Public Service Commission, and
3. that the Mayor-in-Council may, with the prior approval of the State Government, appoint a Municipal Commissioner from

amongst officers who are or have been in the service of the Corporation.

Regarding the question of the removal of a Municipal Commissioner, whereas section 19(3) of the 1951 Act provided that "... the State Government ... shall do so if, at a special meeting of the Corporation called for the purpose, a resolution for the termination of the appointment as Commissioner or removal of the Commissioner, as the case may be, in favour of which not less than three fifths of the total number of members of the Corporation give their votes, is carried", section 14(5) of the 1980 Bill provides that "... Provided that in the case of any such officer (which includes the Municipal Commissioner) if, the Mayor-in-Council so decides, the State Government shall terminate the appointment of such officer".

Another major reform concerns the financial powers of the Municipal Commissioner. Under the 1951 Act, section 108 had provided that "the Commissioner may sanction any estimate the amount of which does not exceed twentyfive thousand rupees: provided that where the estimate exceeds five thousand rupees, the Commissioner shall consult the Finance Officer and Chief Accountant before he sanctions the estimate." Section 44 of the new Bill makes the Municipal Commissioner a sanctioning authority "if the amount does not exceed five lakhs of rupees".

Among the other new features in the 1980 Bill, some deal with the erstwhile problems of coordination between various agencies involved in urban development work in Calcutta. The Municipal Streets Technical Committee and the Municipal Building Committee which involve, besides others, representatives of the Calcutta Metropolitan Development Authority (CMDA), Calcutta Police, Fire Services, etc., would be chaired by the Municipal Commissioner, as per the provisions of sections 345 and 391.

PROGRAMME AND PROSPECTS FOR CHANGE

These then are the highlights of the various provisions of the Calcutta Municipal Corporation Bill 1980 insofar as the Municipal Commissioner is concerned.

Although in our narration we took into account the five Acts and the Bill in hand, the Calcutta Corporation was there in a nuclear form before the sacking of Delhi by Nadir Shah and the third battle of Panipat. The first Municipal administration consisting of a Mayor and nine Aldermen was established in 1727, about 30 years after Job Charnock had set foot here. This makes it easily the oldest organisation in India. This was followed by a series of administrative measures like the Statute of 1794 when Justices of the Peace for the Town were appointed for civic matters. This was followed closely by the Lottery Committee for

public and developmental works and then in 1847 the formation of an elective Board of Seven. In these measures followed by the twists and turns of the Municipal Acts an undercurrent was the balance to be struck between the deliberative and the executive sides of the municipal governance.

Let us nevertheless appreciate that an organisation like the Calcutta Corporation could not possibly have withstood the ravages of time over 250 years, if it did not have some essential vitality. This was and is the compulsion that the city of Calcutta refused yesterday and refuses today to die. Any programme to change should, therefore, have as its first task a rediscovery of this vitality for the Corporation in its inner working.

However, the older the organisation got, the deeper became the overlay of traditions, values and systems of work. Yesterday's arguments became the handy tools to meet today's problems. Further, Calcutta underwent the ebbs and tides of fortune which is the stuff of history. A peculiar type of environment—political and social—also gave Calcutta its peculiar set of problems. All these helped to give the Corporation its special mould.

The factors deadlocking action are obviously many, which only a deep understanding of the socio-political, psychological and anthropological nature will unearth. These must be on its environment, power structure, institutions, perceptions, attitudes, work systems, etc. It ought to be mentioned that there have been many attempts made in the past to study, by various earnest individuals and bodies, but these have been mostly in the physical areas.

These apart, attempts to vitalise have taken other forms as well. New organisations have been set up (CMDA), arms have been flexed (supersession of the Corporation and the historical lockout of 1974), one efficient senior officer after another has been brought in and this system or that altered. None of these has apparently made an appreciable dent in the situation. Essentially, therefore, the Corporation has to get down to a systematic and massive change in its programme and settle strategic objectives in order of priority.

Any programme of change which is proposed should be on the inner working of the Corporation in values, management system, etc. We feel that a large section of the Corporation is ready for such changes and would benefit from a programme if imaginatively set and sincerely worked out. □

*Minister's Speech on the Calcutta Municipal Corporation Bill, 1980**

(The following is the text of the speech by Shri Prasanta Kumar Sur, Minister-in-charge, Local Government and Urban Development, Government of West Bengal before the Legislative Assembly on April 29, 1980, while introducing the Select Committee Report on the Calcutta Municipal Corporation Bill, 1980).

MR. SPEAKER, Sir, With your permission, I beg to move that the Calcutta Municipal Corporation Bill, 1979 as reported by the Select Committee be taken into consideration. As you are aware, this Bill was introduced in the West Bengal Legislative Assembly on 18th September, 1979 and thereafter, on my motion, this Bill was referred to a Select Committee, consisting of 17 members of this House. The Select Committee has since completed its work and its Report is already before the House.

Accordingly, Sir, we are now at the threshold of a historic occasion, i.e., to consider this Select Committee's Report and to pass this Bill as it is settled in this House.

This Bill, when enacted by this House, would replace the Calcutta Municipal Act, 1951 and, after the Acts of 1876, 1888, 1899, 1923 and 1951, would become the sixth Act, in succession, for 'representative municipal government' of Calcutta. *Sir, each Act, in its own times, has aimed to be an engine of change—to respond to the compulsions for reform, as seen by the then governments; and, to rise up to the aspirations of the citizens, who due to the very nature of municipal government, are at once the voters and the clientele as well as the beneficiaries of the services that it provides.*

From historical perspectives even, one can, however, single out one constant factor in all such periodic changes, i.e., 'the role of local government' itself, whose twofold objectives continue to be to function as an instrument of 'local democracy'—mobilising people's cooperation and citizen participation and to develop and

*Reproduced from *The Calcutta Municipal Gazette*, Vol. XCVIII, No. 4, May 17, 1980, pp. 1600-1604(a).

operate public utilities and provide municipal services and public conveniences for a healthy and congenial environment. In spite of such a common denominator, if changes in the form of local government have taken place as frequently as the sixth impending one, in the case of Calcutta, in about a century's time, this is because the 'political thought and environment' of the particular times have had their due influences.

Thus, when Sir Richard Temple, the Lieutenant-Governor of Bengal from 1874 to 1877, introduced a bill "to replace the system of municipal administration by Justices of Peace, with a largely ratepayer-elected municipal corporation", he intended both to make the municipal administration more efficient and to provide an opportunity for public service for the younger generation of the Indian middle class professional men who were demanding reform of the administrative system. Temple's predecessor in office, Sir George Campbell, had once forecast a time when a "Bengalee House of Commons" would evolve from local institutions such as the Calcutta Corporation. He had feared that unless 'opportunities for power roles' were provided for the 'educated middle-classes', they would soon become discontented and rebellious critics of the government.

The 1876 Act amply fulfilled the political educational ideals of its framers, and men like Ananda Mohan Bose, Surendranath Banerjea, Sita Nath Dass, N.N. Ghose and Kalinath Mitra entered the Corporation. These men, quite literally, took the Calcutta Corporation to be a nursery of political education and, time and again, Surendranath Banerjea reiterated this theme: *Municipal institutions are the germs of all political institutions. Municipal life is the basis of public life. Municipal self-government precedes national self-government.* However, from 1876 onwards, the Lieutenant Governors of Bengal began to have different views.

Attacking the Corporation on the pretext of corruption, they wanted an ICS model of local government wherein the municipal commissioners would be hand-picked by the Bengal Government to reflect their own notions of the required representation of interests in the municipal government. This meant disproportionate representation for British traders and commercial men in comparison with the Indians who formed the overwhelming majority of ratepayers. The 1888 and 1899 Acts, in graduated steps led to the fulfilment of these ambitions—which, however, were camouflaged under explanations such as the one given for the 1899 Act, in context of which it was stated that, "It is our object to place the municipal affairs of the town on a business footing; to carry on the business of the town in a business like manner with the active assistance of businessmen—and to do this we must adopt the methods of businessmen". Thus, in the 1888 Act, seats were allocated for special constituencies such as the Bengal Chamber of Commerce, the

Calcutta Trades Association and the Port Commissioners.

Another innovation, to achieve this end, was made with the introduction of 'a system of plural votes' under which greater weightage was given to the wealthier and more influential sections of the community.

TOWARDS THE 1923 ACT

In the meantime, two significant developments took place—though separated apart by four decades. The Ripon Resolution of 1882 redefined the purposes of local government institutions as the schools of democracy and the training ground for citizenship. Also, the Montagu-Chelmsford Reforms of 1918 looked upon the development of local self-government institutions as the first step in the progressive realisation of responsible government in India. Consequent to the Montagu-Chelmsford Reforms, local self-government became a 'transferred' subject, and the first Minister-in-charge of this portfolio, in Bengal, was Sir Surendranath Banerjea. A strong believer in representative democracy, Surendranath seized this opportunity "to liberalise our local bodies" and while moving the Calcutta Municipal Bill in the Legislative Council, 1921, said "...ever since 1899, I have lived in the hope of witnessing the rebirth of my native city—robed in the mantle of freedom". Surendranath modelled the 1923 Act after the British laws for local government, and, in relation to its internal structure, said that "...there is no principle to which the general public and the framers of the Bill attached greater importance than the total separation of what I may call the legislative and executive functions in the administration of the Corporation". However, his words that—*The Divine Gift of self-government has in it the seeds of its own preservation and self-correction* highlight the significance that he attached to the main event of the passage of this Act.

THE BIRTH OF 1951 ACT

As is well known, the Calcutta Municipal Act, 1923 was in operation for 25 years. Shortly after independence, amidst serious allegations of maladministration and mismanagement of civic affairs, the Corporation was superseded by the then (. . .)* Government, in 1948, and a commission of enquiry was set up to investigate and report on all matters relating to the administration of the Corporation, and to make recommendations for improving the city's government and administration. The brunt of the Commission's criticism fell on the councillors who were alleged to have reduced the Corporation executive to a position of 'abject dependence' on them, and made him absolutely powerless. With this diagnosis, the magic cure was found in the Bombay model assuming that survival proves fitness.

Suddenly and strangely, after independence, the 'radicalism', and that too shown under an alien rule, of Surendranath Banerjea had given way to the 'conservatism' of the then (. . . .)* Government.

In the new scheme of things, a Commissioner appointed by the State Government was to be kingpin of local government in Calcutta—and as Dr. B.C. Roy said, while piloting the 1951 Bill " . . . he would be a person who would not be subject to any influence from the body of the Corporation, he shall ordinarily perform the executive functions, himself . . . "

Sir, the first requirement in a democratic society is that government, whether Central or local should be accountable to the electorate. One wonders how a local government which exists in name only and whose major powers and functions are statutorily assigned to a non-elected individual, no matter how dedicated he may be, can pass such an acid test of accountability. The historical process that the 1951 Act would follow towards its futility, was, in our opinion, charted out by this Act itself.

It came as no surprise to us, therefore, when in 1972, another Chief Minister, (. . . .)† which had brought in the 1951 Act, found it advisable to supersede the Corporation, once again—more or less, on the same grounds on basis of which the Corporation was superseded in 1948. It was obvious that the solutions advised, in a quarter of a century, to tackle the problems identified in 1948 were no solutions at all.

THE NATIONAL SCENE

The Calcutta situation apart, the local government scene at the all-India levels did not present any rosier picture yet, as can be concluded from a 1962 resolution passed at the 2nd meeting of the All India Council of Mayors, to the effect that " . . . the Central Government should appoint a Commission to study the existing patterns of Municipal Corporation Acts; evolve broad principles of corporate city government in India and draft a model legislation for all Corporations in India". The Sixth Conference of the Mayors, in 1967, had to reiterate this demand by the resolution that " . . . the Conference invited attention to the wide discrepancies and variations in the administrative and taxation powers and structure of Municipal Corporations in the country and called upon the Ministry of Health and Family Planning to draw up a model draft bill for the guidance of various Corporations and State Governments".

In 1967, Government of India ultimately entrusted this task to the National Centre for Training and Research in Municipal Administration,

* Deleted—Editor.

† Ibid.

at the Indian Institute of Public Administration, New Delhi, and this Centre, ultimately, produced some proposals for the model legislation in 1971. This Centre carefully scrutinized the 11 Corporation Acts covering the 30 Municipal Corporations in the country including the pre-independence Acts, namely, Bombay (1888), Madras (1919), and the 9 post-independence Acts—*i.e.*, of Bombay Provincial Municipal Corporation and of Bangalore of 1949, the UP Nagar Mahapalika, Patna and Calcutta Acts of 1951, the Hyderabad Act of 1955, the Madhya Pradesh Act of 1956, the Delhi Act of 1957 and the latest Kerala Act of 1961.

Through their studies, the Centre established the fact that the broad frame of all the Corporation Acts in the country is the same involving structures based on the trinity of the Corporation, the Standing Committees and the appointed Commissioner and pointedly referred to "the continuing confrontation between the 'deliberative' and the 'executive' wings of the Corporation" almost without any exceptions.

Based on their extensive consultations and investigations, the Centre went on further to opine that "... while there is considerable agreement on financial powers amongst the Corporations as reflected in the resolutions adopted by the Conference of Municipal Corporations and the meetings of the All India Council of Mayors over the last decade, there is hardly any clear indication of the directions for a reorganisation of the structural framework of the various authorities in the Corporations. Also, the demand for more powers to the deliberative wing is far too general and there has been no attempt so far to spell out the exact distribution of power and the manner in which executive authority should be exercised". Referring to a Seminar on "Cabinet System in Municipal Government", organised by the Centre in September 1969, the Centre highlighted the fact that "no unanimity could be reached on the nature of political executive although various alternatives were put forward".

A reference could be made here to some detailed consultations that the 'Rural-Urban Relationship Committee' appointed by the Government of India in the mid sixties, to evolve norms for local government, both in rural and urban centres, had with the All India Council of Mayors about the position of the Municipal Commissioner and the power equations between the executive and deliberative organs and the general opinion that emerged was no more than strengthening of the position of the Mayor.

Sir, here, it must be noted that under the Indian Constitution, local government lies, and correctly so, within the exclusive competence of the State Legislatures. As is well known, each State Legislature has to deal with varying conditions. Their enactments, therefore, must necessarily bear the stamps of the local history and the special circumstances

in the respective states.

An outstanding example in this regard is the Panchayati Raj legislation which our state and many other states have tailor-made to suit their own peculiar needs.

Given an understanding of the local issues, it is obvious that State Governments alone can decide about the best model of urban local government too that would satisfy their needs and priorities.

THE CENTRAL ISSUE TODAY

Sir, after the coming into power of the Left Front Government, in June 1977, I have had the unique opportunity for conducting deeper probes into the malaise that has affected the well-being of local government not only in Calcutta but in the West Bengal municipalities also—over all these years. Also, due to my first hand knowledge acquired by serving the Corporation of Calcutta as a Councillor for 18 long years, and as a Mayor for 2 terms, I do possess keener insights into the problems that this institution faces even today.

Corruption and maladministration in Calcutta Corporation, in my opinion, are the external symptoms, only of a deep-rooted malady—which I would like to characterise as “Lack of local government which is responsive and responsible to the people-at-large”. So, before we start hunting the corrupt officials and employees in the Corporation, we have to rectify the ‘corrupt systems’ which have permitted such evils of corruption to perpetuate. To achieve this end, in my opinion, the beginning must be made by ensuring that “Local democracy resumes its place as a major part of our democratic system itself”. It is well known that “a genuine local democracy implies that decisions should be taken, and should be seen to be taken, as locally as possible”.

I, therefore, submit, Sir, that to make such a local democracy vigorous, local government would have to be organised as a strong unit with powers to make major decisions, locally—unfettered by too many controls and regulations by any higher form of government. I further submit that by providing a large number of points where decisions would be taken by people of different political persuasions and different backgrounds, local democracy would act as counter-weight to the uniformity inherent in government decisions. Local democracy, indeed, would spread political powers. One can also claim that local government and local democracy would ‘enhance accountability’—because, it brings those who are responsible for decisions closer to their electors.

Guided by this philosophy, Sir, the single most significant change that we have aimed to bring about through the Calcutta Municipal Corporation Bill, 1980, is to designate only the elected representatives of the people as the municipal authorities for the municipal government of Calcutta and to vest the executive power in political execu-

tive which is also accountable to the electorate. Thus, we are proposing that the Corporation, the Mayor-in-Council and the Mayor would constitute the new trinity of the municipal authorities for the municipal government of Calcutta.

Considering the complexities of tasks to which the government of a metropolis such as Calcutta must address itself to, we are more than convinced that the part-time Standing Committees of Councillors of the yester years are no match to the challenges of civic administration in this closing phase of the twentieth century. Such Standing Committees, in our judgement, must now make way for a full-time Mayor-in-Council which must be charged with the responsibilities for the day-to-day administration of the civic affairs of this great city.

We are also of the firm view that in addition to his role as the first citizen of Calcutta, the Mayor, and not the Commissioner, should fill the executive leadership role, too. And, so that he can be effective as a leader in a city with perhaps the greatest political awakening and political consciousness of the citizens anywhere in the country, we have opted for the 'strong mayor system' whereby only the Mayor would be elected by the elected Councillors, and his colleagues in the Mayor-in-Council shall work at his pleasure—though they would be selected from the elected representatives of the people, only.

Sir, this House is aware of the strong commitment that the Left Front Government possesses for democracy at the grass-root levels. At the national level, within the framework of a federal constitution, our pleas for greater devolution of powers from the Centre to the States have been inspired by such ideals for spreading democracy over the widest base possible. Accordingly, in developing the hierarchical relationships between the State Government and the proposed municipal government of Calcutta, we have worked hard to ensure that as much decentralisation of powers and functions takes place as is possible.

Thus, in the proposed scheme of things besides ensuring that the essential communication linkages exist between the two levels of the government, State Government's interventions have been limited in scope—so that, generally when the Corporation's functions transcend the geographical boundaries of Calcutta or, the jurisdictions as provided for under the other state and central laws, references to the State Government would be necessary.

In this regard, as this House knows so well, the road networks, the sewers, the drainage systems and many other civic facilities really have no arbitrary frontiers. Also, the fact that 13 Central acts and 31 State acts have their interplay within the boundaries of Calcutta highlights the need for State level coordination.

On the whole, however, under the proposed Bill, the Corporation has a much larger role in its exercise of powers than any other Corpora-

tion in existence in India, as of today. Such larger role of the Corporation has provided the justification for the separation of the 'deliberative' and 'executive' functions—and, in the best traditions of the parliamentary system now at work in India, we have proposed that the Chairman, and not the Mayor, shall conduct the business of the Corporation.

In the true spirit of local democracy, the Corporation, therefore, would enunciate policies concerning the municipal government of Calcutta, would approve programmes and their priorities and would incorporate them into budgetary and fiscal measures. Beyond this, the Corporation's role would be to control and not to execute, but to hold the executive answerable for its performance. The Corporation shall enjoy the power to remove a delinquent Mayor-in-Council by a simple majority of its members.

With an eye to ensure closer scrutiny of the fiscal management of the Corporation by the Mayor-in-Council, on the lines of the Public Accounts Committee, under the Indian Parliamentary System, the role of a Municipal Accounts Committee has been envisaged. This measure would, indeed, help in a big way to enhance the accountability of the political executive.

Coming back to the point regarding the decentralisation of powers and functions, this time within the Corporation itself, a much larger role has been envisaged for the Borough Committees than ever before. Their functions have been statutorily defined, and the organisational support for carrying out such functions has been ensured. The future budgets of the Corporation, besides having functional jurisdictions, would also take into account the areawise priorities of different wards and boroughs.

In order that the Councillors who are the eyes and ears of the Corporation can guide the Mayor-in-Council in the difficult tasks that it must perform, Municipal Consultative Committees on the lines of the Parliamentary Consultative Committees have been proposed. These, then, are the components of the new model that we have proposed for the municipal government of Calcutta.

After a close scrutiny of the existing systems, and the much debated City Manager and directly elected Mayor system, and the cabinet system, we have opted for the Mayor-in-Council system—modelled after the cabinet system, which is most suited to the political ethos of our country. From the political insights that we possess of the working of democratic institutions in India, we believe that this system would work in Calcutta—and, all that we hope for now, is that this system should have a fair trial. In the ultimate analysis, I am confident that, in the words of Surendranath Banerjee, this system would have the seeds for its own preservation and self correction.

Sir, let me now briefly refer to certain other issues which have featured prominently in the design of the new Bill.

As I stated earlier, city government has to reconcile the twin objectives of living upto democratic aspirations of the people, and for the effective and efficient delivery of the civic services. Thus, municipal administration is a peculiar combination of a government organisation and a business enterprise. As government, it must exercise powers for taxation, licensing, subordinate legislation, regulation, enforcement and control. On the other hand, it must be a service-oriented organisation. To do all this and more, the Corporation must now have an organisational machinery which is equal to the complex tasks of modern management of a large metropolis. This, we have ensured through the new provisions concerning the officers and employees of the Corporation.

Thus, besides the Municipal Commissioner the Bill provides for positions of Joint Municipal Commissioners, Controller of Municipal Finances and Accounts, Chief Municipal Auditor, Municipal Engineer-in-Chief, the Chief Municipal Architect and Town Planner, besides the other senior and middle management level statutory officers.

With a view to bring some order in the establishment of the Corporation, all the posts of officers and employees, other than the statutory officers, are proposed to be classified into four categories, according to pay scales, and the Corporation shall determine the size of the establishment.

FINANCES OF THE CORPORATION

At an era of history, when even a city like New York declared its bankruptcy, the finances of local bodies cannot be taken lightly. In Calcutta's situation, there had to be more than the average concern because Calcutta Corporation has been working on the basis of the lowest per capita income and expenditure levels—among all the metropolitan centres of India. □

Book Review

Local Government in Peninsular Malaysia, M.W. NORRIS, Gower Publishing Company, Westmead, England, 1980, pp. 121.

The book under review is an excellent study of the development of local government system in Peninsular Malaysia. In particular, it provides a good coverage of major issues and events which influenced the course of the development since the independence of Malaysia in 1957. Though the various changes introduced in local government were responses to events and circumstances faced by the Malaysian government, yet the net outcome regarding the state of local government as a measure of decentralisation is not substantially different from what has happened or is happening in most of the developing countries.

Malaysia is one of the very few developing countries where the debate on the issues which challenge the basic premises of local government has been quite extensive. During the period of twenty years after Independence, the shape of local government as elected and representative institution has swung from one extreme to another. As a consequence of this debate, there has been a thorough investigation of the state of local government and attempts to improve their viability and their executive management. The Royal Commission on Local Government (Athi Nahappan Commission) appointed in 1965, the Royal Commission on Remuneration and Conditions of Service in Local Authorities and Statutory Authorities (Harun Commission) of 1972, national seminars on local government, parliamentary debates, national legislations such as Local Government (Temporary Provisions) Act 1973, Local Government Act 1976 and reports of the committees appointed by the National Cabinet to examine the implications of the Royal Commission's report, provide a vivid account of the process of transition from a 'Colonial' form of local government hurriedly implanted before Independence but having a powerful support of those few who shared a conviction of its virtues in a democratic polity, to an indigenous form created by those whose perception of issues and responses were more related to the dominant socio-economic and political factors in the governance of the country. The author brings out the major themes of these documents with clarity and brevity, and supplements the analysis by his own observations and researches done

by others. He thus makes a very valuable contribution to the field of comparative local government.

In order to prepare the ex-colonies for democratic self-government, the British introduced local government which structurally represented a hybrid of their own model and the requirement of the colonial rule, and were based on a strong political philosophy which shaped political institutions and behaviour in Britain. Malaysia was not an exception. In 1957, the Malaysian Minister of Interior and Justice claimed that "Local Government is an enormously important subject fundamental to a good government in a democratic country, and inextricably connected with government at all other levels. It is the solid base on which national government rests." (p. 16). The major thrust of local government reforms soon after Independence, therefore, flowed from this commitment to and confidence in the value of democratic process, and were directed towards promoting people's participation through their popularly elected representatives. No attempt, however, was made to address to the infirmities of local government arising out of inflexibility of revenue base, financial weaknesses, lack of competent staff, fragmented character of management structure, inadequacies of law, etc. There was another weakness which got highlighted by the introduction of elective local government and which proved to be quite decisive in influencing the course of development. It was the fact that the urban local bodies were the ethnic and political enclaves dominated by the opposition parties.

The Constitution Commission (1957) had assigned local government affairs to the state list of functions. But the Federal Government has also exercised the powers to legislate on local government. The first major national reform initiative was taken when Athi Nahappan Commission was appointed in 1965. Its report submitted in January 1969, no doubt, is one of the most comprehensive documents in the field of local government produced by a developing country. The author devotes three chapters to cover the important aspects of the Commission's work and reactions to its Report. It recommended wide-ranging reforms, some of which were most sweeping and controversial in nature, but all of them put together reflected a basic conviction in the value of local government and its potential contribution to national development. The failures of local government were attributed to the structure as a whole and not to their wilfully inadequate performance. Amongst its recommendations were areal restructuring of local authorities which were to cover the whole of Malaysia, expansion of functions giving them some measure of 'general competence', setting up a local authority credit fund to extend capital loans for development, projects, a management structure largely based on the Maud proposals in England, setting up of a local government tribunal at state

level to protect the public against arbitrary administrative actions, retention of separate personnel system, a machinery for Federal Government to deal with, and measures for strengthening state machinery dealing with the local government affairs. Above all, it recommended the elimination of all district officers as the government agent for urban and rural administration. Strongly favouring elected government, it observed that "we are of the view that despite inherent defects of election on party basis they should be allowed to survive and continue for cogent reasons. Political tolerance is a great asset in any society. It is more so in a society with plural communities." (p. 48).

While the elimination of the role of district officer required major overhauling of district administration and ran counter to the interests of the powerful Malaysian civil service and state services, the elective local government was against the existing trend and the subsequent events that were to reinforce it. In 1965, elections to local bodies were suspended. The outcome of general elections in 1959, 1965 and 1969, racial riots in 1969 and the imposition of a national emergency, each contributed to a movement away from the initial commitment to local government and the author rightly observes that "a policy that might seem to succeed in an atmosphere of optimism could hardly be sustained in one of extreme uncertainty, defensiveness, and anxiety over opposition parties..." (p. 23). In July 1971, Minister of Local Government observed that "... considering the small size of the country, (and) that we have representative governments at national and state levels. And considering certain functions of the local authorities can be taken over by state governments, it is considered unnecessary and indeed redundant to have another tier of representative governments at local authority level." (p. 58). The entire parliamentary debate on the Royal Commission Report which took place in February 1972 revolved around the issue of nominated *versus* the elected local government. Capturing the essence of the debate, the author points out that "local government in the views of the opposition spokesmen was a challenge, an invitation to public participation, a forum of conflicting views, and above all a medium through which the people at large might achieve political maturity. Seen thus, past failures were of minor importance, the by-product of an educational process. The government perception was less dynamic, viewing the local authorities as no more than media through which the public could be served, not necessarily in ways that accorded with their own priorities or in which they are directly involved". (p. 62).

Harun Commission which submitted its report in December 1972 assumed the rejection of elected local authorities as a *fait accompli* and its recommendations further reinforced the validity of such a rejection. Its basic approach is summed-up by the author in his observation that "the niceties of local government autonomy in form and reality were to be

sacrificed to ensure that authorities were capable of providing a well defined range of services" (p. 73). The Commission considered the local governments as an integral part of the State Government and its recommendations were primarily aimed at making them viable as "subordinate in status, circumscribed in role but wholly efficient in that role." (p. 68). A series of measures were recommended for strengthening state supervision and control and for coordination of local government affairs at the national level. Personnel administration, in all its aspects, was examined and a comprehensive salary structure and conditions of service laid down. Separate personnel system was rejected. The functions of local authorities and the scope of its activities were trimmed so as to confine them to certain 'basic services' and remain within a viable span of control of the appointed chief executive.

By 1975, the salary recommendations of Harun Commission were implemented. Areal reorganisation, largely by way of amalgamation of local authorities were carried out in some states under the local government (Temporary Provisions) Act of 1973 which also provided for a uniform type of management body for the authorities and appointment of councillors by the State Government.

The Local Government Act of 1976, while further facilitated areal restructuring, provided for two types of local governments, *i.e.*, municipalities for the urban areas and district councils for the predominantly rural areas. Organisation for internal management was laid down. The Councillors, along with the Mayor or the President as the case may be, were to be nominated and the chief executive ceased to be the appointed civil servant. It laid down the adoption of a separate personnel system and allowed for a wide range of functions, almost granting 'general competence' to the local authorities. Their development role was sought to be further strengthened by conferring wide powers, including those of land acquisition and recognising them as local planning authorities under the Town Planning Act of 1976. It did not, however, alter the nature of state supervision and control.

The net effects of reforms have been summarised by the author in his concluding chapter. He observes that: (i) the local authorities have now a stronger base, (ii) the legislation approaches modern needs, (iii) the areal restructuring offers prospects of future viability and the jurisdiction relevant to national priorities, (iv) current official leadership supported by the Ministry of Local Government constitutes an important pressure group to improve the image of local authorities, (v) staff capacity is increasing, (vi) modest financial gains have been obtained, and (vii) acceptance of a new value for local government, not in its traditional democratic virtue but in its potential service to diffuse development, has grown, etc. (pp. 111-112). The major thrust of reforms has been to strengthen the local authorities in their viability and executive management, more

as an instrument available to the federal and State Governments for de-concentration rather than as an institution for devolution. Even within this limited perspective, the success of reforms would largely depend upon the extent to which the state-local and inter-agency relationships are geared to remove both the intrinsic as well as the imposed weakness of local government. So long as the federal and state governments' decisions continue to be made at the expense of the local government or cause erosion of their financial resources (by way of salary increases, through inflation, etc.) without adequately compensating them, and so long as local governments remain the weakest bidder in the competition for resources concentrated at higher levels against the federal and state agencies engaged in development work at the local level, the intrinsic weaknesses will remain the focus of criticism and reduce their credibility and capacity for undertaking the expected development role under the reforms.

In his analysis, the author appears to accept the existing state of local government as a natural outcome of the Malaysian conditions while, at the same time, he finds it difficult to defend it when the theory of local government as traditionally accepted, overtakes him. The dilemma of the author in this regard is also the dilemma of most of the developing countries in the sphere of decentralisation. It is hoped that the extensive coverage of the development of local government in the Malaysian Peninsula in this book would create amongst the readers an urge to know what is happening to local government elsewhere. The book will certainly satisfy that urge as far as Malaysia is concerned. Along with its bibliography, it will set the reader to a course of further exploration in search for an approach to local government relevant for a developing country.

—D.D. MALHOTRA

